

City of Cumberland Maryland



Main Street, Cumberland, Maryland

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

Comprehensive Annual Financial Report

of the

City of Cumberland Maryland

For the Fiscal Year Ended June 30, 2009

MAYOR
Lee N. Fiedler

COUNCIL MEMBERS

Floyd "Pete" Elliott
Harold "Butch" Hendershot

Brian K. Grim
Mary Beth Pirolozzi

CITY ADMINISTRATOR
Jeffrey E. Repp

Prepared By:
Joseph D. Urban, CPA, Comptroller

City of Cumberland

Table of Contents

	<u>Page</u>
<i>PART I – INTRODUCTORY SECTION</i>	
Letter of Transmittal	1-4
Certificate of Achievement for Excellence in Financial Reporting	5
List of Elected and Appointed Officials	6-7
Organizational Chart	8
 <i>PART II – FINANCIAL SECTION</i>	
Independent Auditor's Report	9-10
Management's Discussion and Analysis	11-19
 <u>BASIC FINANCIAL STATEMENTS:</u>	
Government-wide Financial Statements:	
Statement of Net Assets	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of the Governmental Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28-29
Notes to Financial Statements	30-66

City of Cumberland
Table of Contents
(Continued)

<u>REQUIRED SUPPLEMENTAL INFORMATION:</u>	<u>Page</u>
Budgetary Comparison Schedule – General Fund	67
Other Post-Employment Benefit Plan Contributions	68

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS:

Combining Balance Sheet - Non-major Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	70
Combining Statement of Net Assets Non-major Proprietary Funds	71
Combining Statement of Revenues, Expenses and Changes in Net Assets - Non-major Proprietary Funds	72
Combining Statement of Cash Flows - Non-major Proprietary Funds	73

PART III – STATISTICAL SECTION

Net Assets by Category – Government Wide – Last Seven Years	74
Changes in Net Assets by Category – Government Wide – Last Seven Years	75
Fund Balances – Governmental Funds – Last Seven Years	76
Changes in Fund Balances – Governmental Funds – Last Seven Years	77
Property Tax Levies and Collections – Last Ten Fiscal Years	78
Assessed and Estimated Actual Value of Taxable Property – Last Ten Years	79
Property Tax Rates and Tax Levies (Real Property) – Direct Overlapping Governments – Last Ten Years	80

City of Cumberland
Table of Contents
(Continued)

	<u>Page</u>
Ten Largest Taxpayers – Current and Nine Years Ago	81-84
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	85
Computation of Direct and Overlapping Debt	86
Ratios of Annual Debt Service Expenditures – Last Ten Fiscal Years	87
Economic and Demographic Statistics	88
Number of Employees for Ten Largest Employers – Current Year	89
Building Permits Issued and Property Values – Last Ten Fiscal Years	90
Employees by Function – Current Year	91
Capital Asset Statistics by Function – Current Year	92
Operating Indicators by Function – Current Year	93

Introductory Section



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January 29, 2009

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Cumberland, Maryland

State law requires that all general purpose local governments publish at the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Cumberland, Maryland, for the year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of Cumberland. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cumberland has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Cumberland's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Cumberland's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Turnbull, Hoover & Kahl, PA., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Cumberland, Maryland for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with emphasis on internal controls and legal

requirements involving the administration of federal awards. These reports are available in the City of Cumberland's separately issued Single Audit Report.

The Management Discussion and Analysis portion of the financial statements provides greater detail regarding management's discussion of the financial condition of the City and what has transpired during fiscal year 2009. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Cumberland is empowered to levying a property tax on both real and personal properties located within its boundaries. The City is also empowered by the state to extend its corporate limits by annexation, which occurs periodically when deemed necessary by the Mayor and Council. The Mayor and Council are responsible for the passing of ordinances, adopting the budget, appointing committees, and hiring both the City Administrator and the City Solicitor. The City Administrator is responsible for carrying out the policies and ordinances of the Mayor and Council, for overseeing day-to-day operations of the city government, and for appointing the heads of the various departments.

The City of Cumberland provides a full range of services, including water, sewer, refuse, streets and drainage, recreation and parks, police, fire, planning and zoning, and community development. The cities schools and library are operated by Allegany County, Maryland.

The City of Cumberland was incorporated in 1815. Its legal authority is derived from Article XI-E of the State Constitution and Article 23-A of the Annotated Code of Maryland. Cumberland has an estimated population of 20,758 and a land area of 9.1 square miles. The City has operated under the Council-Manager form of government since 1981.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within the City of Cumberland operates.

Economic Condition and Outlook

Cumberland is located in Allegany County of Western Maryland, equidistant from Washington, DC, Baltimore, MD, and Pittsburgh, PA. Economically, Cumberland closely resembles the Monongahela Valley (Mon. Valley) Industrial region of Western Pennsylvania and Northern West Virginia more than it does the rest of the state of Maryland. Like the Monongahela Valley, Allegany County experienced a rapid decline in high-paying manufacturing jobs during the 1980's. These losses were aggravated by the closure of Kelly Springfield (Tires), Celanese (Chemicals), and Pittsburgh Plate Glass. However, three major industrial employers: Alliant Tech (Rocket Center, MD), CSX (Cumberland, MD), and Westvaco (Luke, MD), continue to function within the region. The economy and unemployment rate of Allegany County has declined with the rest of the State, and currently has an unemployment rate of 7.3%.

This stabilization of employment has created a greater diversified job segment and has allowed for jobs in the service, retail trade and government sectors to expand and fortify the regions economy outside of the manufacturing industry. However, the region has not completely abandoned its manufacturing past, as it has been able to attract a number of light manufactures in (Hunter Douglas) and (Bayliner), along with service industries (Biospherics) and (Litton

Industries), as well as government employers Western Correctional Institute, the Federal Correctional Institute and North Branch Correctional Institute.

Even with the regions increased job opportunities and stabilized economy, median household income has remained stagnant as compared to the rest of Maryland as the State's median household income increased from \$48,550 in 1997 to \$68,080 in 2007. While Allegany County has seen its median household income increase, it still lags greatly behind the rest of the State with income of \$29,050 in 1997 to \$38,050 in 2007. The reason for this is because, although the region has seen an influx of job opportunities, these jobs are consistently lower paying than the previous high-paying manufacturing jobs of the 1980's. These economic circumstances are particularly reflected within the families of the lower end of the economic ladder. According to the 1990 U.S Census, Allegany County poverty stood at 16.5% for all residents and 24.2% for children under the age of 18. It would be expected that the increased job opportunities and stabilized unemployment rate would drastically reduce these poverty numbers, however, according to the 2000 U.S. Census, the poverty numbers have not declined; in fact, they have risen. The 2000 Census listed the overall poverty rate for Allegany County as 19.8% and 29.4% for children under the age of 18. With the regions continued economic development and continuing stabilized economy, specifically over the past five years, it is expected that these numbers will drastically decline with the 2010 Census.

Significant Financial Policies

The City has a conservative approach to investment management wherein there is a balance between maximizing return on its investments and ensuring that its investments are properly secured. To achieve this goal, the City has an investment policy that is consistent with Maryland Law and requires collateralization of 102% of market value of investments. With the exception of direct purchase of U.S. Treasury's, no more than 90% of the City's total investments may be placed at the Maryland Local Government Investment Pool and no more than 70% of the City's total investment may be placed at any one financial institution. Consistent implementation of this policy when the market is experiencing moments of volatility has preserved the foundation of the City investments. This policy is described in greater detail in Note #2 to the city's financial statement, titled "Cash and Investments."

On October September 29, 2009, the Mayor and City Council approved a "Debt Management Policy" to establish guidelines for the issuance and management of the City's debt. The policy confirms the commitment of the Mayor and City Council, the City Administrator, other City management and staff and advisors to: i) adhere to sound debt issuance and management practices, including the full and timely repayment of all borrowings; ii) achieve the lowest practical cost of borrowing commensurate with prudent level of risk; and iii) obtain unfettered access to the capital markets through preserving and enhancing of the quality of the City's bonds and other debt.

Long Term Planning

In June 2005, the City issued its "Sustainable Economic Development Strategic Plan" that defined a program focusing the City's resources on actions that can most effectively promote a more prosperous economy. The City has made positive steps in advancing this plan with the creation and hiring of an economic development specialist and the recent hire of a city planner. The plan is available at the City's web site www.ci.cumberland.md.us.

The financial strength of the City has allowed the City to issue \$9,070,000 in general obligation bonds in October 2008. The main purpose of these bonds was to fund improvements to the various streets throughout the City. These bonds received a rating of AA by Fitch and a rating of AAA by S&P. In May 2009, the City issued taxable pension bonds in the amount of \$4,665,000 which received a rating of AAA from both Fitch and S&P. The main purpose of these bonds was to refinance existing debt with the Maryland State Retirement System for an unfunded liability and a Special accrued liability. The detail of this debt is discussed in note 18 to the financial statements.

The Western Maryland Health System is proceeding with a project cost exceeding \$268 million for the construction of a new hospital and the relocation of its administrative offices, which will all be located within the City of Cumberland. This construction project and the operation of the new hospital are expected to have a positive impact on the City's economic growth.

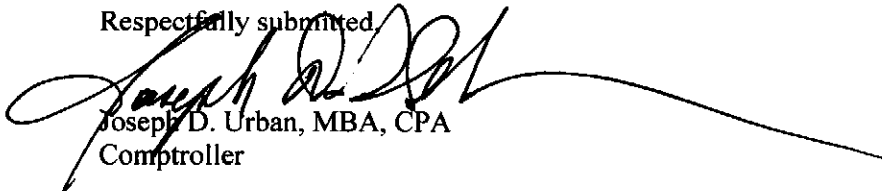
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cumberland for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the second year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Office and the Tax and Utility Office. I wish to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the City Administrator and the Mayor and City Council for their support in maintaining the highest standards of professionalism in the management of the City of Cumberland's finances.

Respectfully submitted,



Joseph D. Urban, MBA, CPA
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cumberland
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of Cumberland, Maryland

List of Elected Officials and Administrators with contact information

Central Contact Information:

City of Cumberland
PO Box 1702
57 North Liberty Street
Cumberland, Maryland
21501-1702
(301) 722-2000

Mayor and Council:

Lee N. Fiedler, Mayor
lfiedler@ci.cumberland.md.us

Floyd "Pete" Elliott, Councilman
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Brian K. Grim, Councilman
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Harold "Butch" Hendershot, Councilman
hhendershot@ci.cumberland.md.us

Mary Beth Pirolozzi, Councilman
mbpirolozzi@ci.cumberland.md.us

Administration:

Jeffrey E. Repp, City Administrator
jrepp@ci.cumberland.md.us

Margie Eirich, City Clerk
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Brenda Smith, Economic Development
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April Howser
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City of Cumberland, Maryland

List of Elected Officials and Administrators with contact information (continued)

Fire Department

Chief William G. Herbaugh

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Police Department

Chief Charles Hinnant

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Administrative Services:

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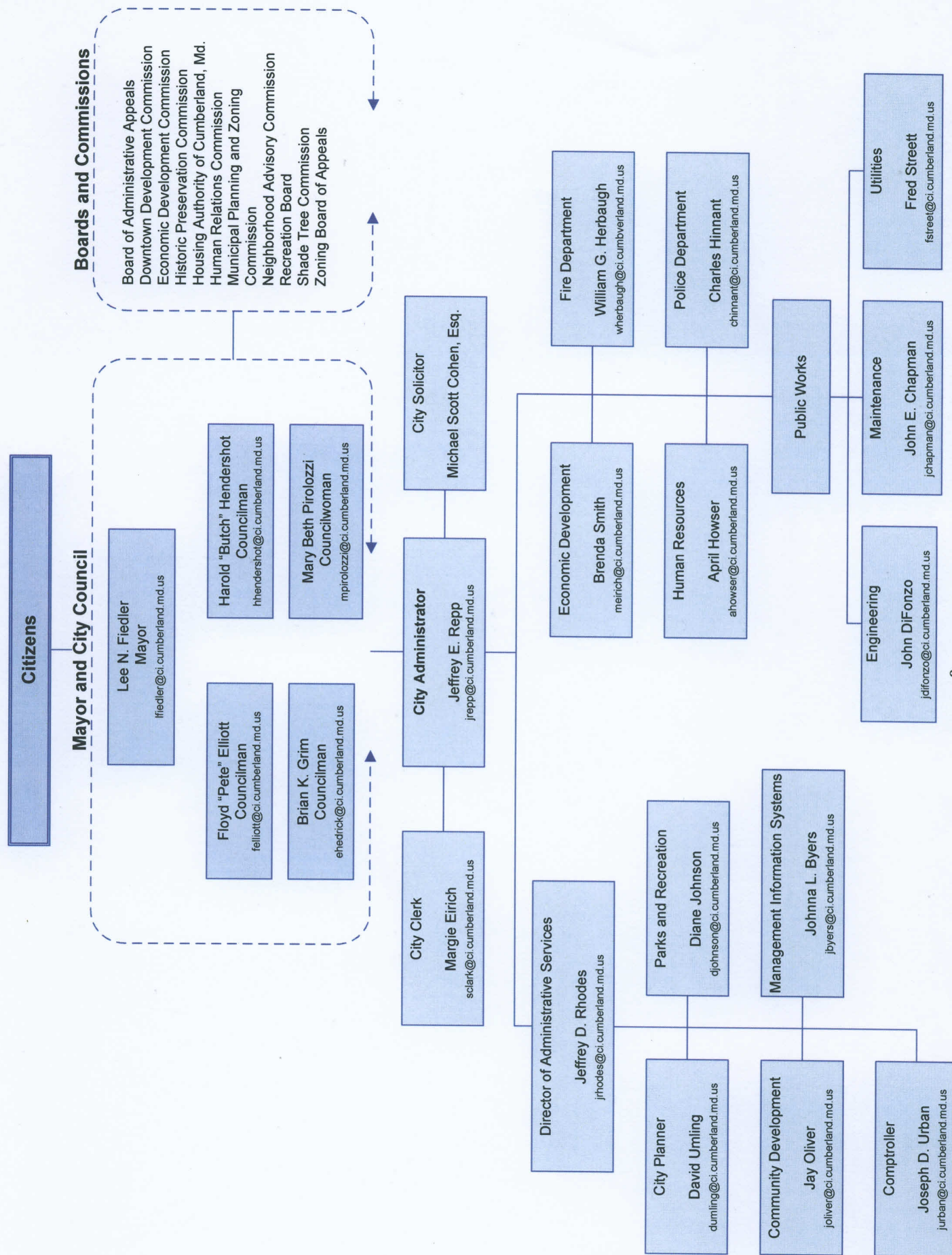
Planning

David Umling

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City of Cumberland Organizational Chart

(June 2007)



David W. Turnbull, CPA
Richard J. Hoover, CPA
Bernard B. Kahl, CPA



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Honorable Mayor and Members
of the City Council
City of Cumberland
Cumberland, Maryland

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cumberland, Maryland, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2010 on our consideration of the City's internal control over financial reporting

and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 19, budgetary comparison information on page 67, and the schedule of other post-employment benefit obligations on page 68 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Turnbull, Hoover & Kahl, P.A.

Cumberland, MD
January 27, 2010

Financial Section

CITY OF CUMBERLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Cumberland's financial performance provides an overview of the City's financial activities for the fiscal years ended June 30, 2009 and 2008, respectively. Please read this in conjunction with the basic financial statements, notes to the basic financial statements, and the required supplemental information for a complete and detailed understanding.

FINANCIAL HIGHLIGHTS

- The City's governmental activities net assets are \$10.4 million and \$10.0 million for fiscal years 2009 and 2008 respectively. The net assets of business-type activities are \$42.1 million and \$39.5 million for fiscal years 2009 and 2008 respectively. Net assets of governmental activities increased \$0.5 million in fiscal year 2009, and decreased \$2.3 million in fiscal year 2008. Net assets of business-type activities increased \$2.6 million and \$3.3 million for fiscal years 2009 and 2008 respectively.
- During the year, the City incurred net expenses of \$13.3 million and \$14.5 million, in comparison to the \$8.9 and \$8.7 million generated in program revenues for governmental programs for fiscal years 2009 and 2008. General revenues in the amount of \$11.7 and \$10.9 million and transfer fees of \$2.0 million and \$1.2 million with a deficit of \$0.6 million for FY 2009 and \$2.3 million for FY 2008.
- The City's business-type activities generated \$4.6 and \$4.4 million of total revenue in excess of \$13.1 and \$12.8 million of expenses for fiscal years 2009 and 2008.
- The total cost of all of the City's programs was \$35.2 million for fiscal year 2009, and \$36.0 million for fiscal year 2008. There were no new programs added in FY 2009 but there was a new capital projects fund added, the Street Improvement Fund.
- On the Fund Financial Statements, the General Fund reported a \$.06 million deficit and \$1.7 million deficit for the fiscal years 2009 and 2008.
- The City has its Worker's Compensation claims prepaid where the City prefunded the payment of claims and has recorded this as a prepaid expense in the amount of \$1,402,384 for governmental activities and in the amount of \$413,162 for business type activities. For the government-wide statements there is a related contingent liability. This matter is explained in further detail in Note 18, "Risk Management" to the financial statements.

- In May 2009, the City issued \$4,665,000 in General Obligation Bonds to refinance its unfunded and special liability with the Maryland State Retirement System. These bonds will be repaid in annual installments through June 2036. This bond issue is discussed in Note 19, Pension and Retirement System. The City also issued \$9,070,000 in General Obligation Bonds in September 2008 to fund street improvements. These bonds will be repaid in annual installments through September 2028.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements known as the basic financial statements. The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities that provide information about the activities of the City as a whole and present a long-term view of the City's finances. Also included are Fund Financial Statements. For governmental activities, these statements reflect how these services were financed in the short term, as well as what is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

An analysis of the City as a whole and as to whether it is better off as a result of the year's activities is reflected in the Statement of Net Assets and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is actually received or paid.

These two statements report the City's net assets and changes in them. The City's net assets reflect the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator as to whether the City's financial health is improving or deteriorating. Keep in mind to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City has two kinds of activities:

- *Governmental Activities* – Most of the City's basic services are reported here, including the police, fire & ambulance, public works, parks and recreation department and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

- *Business-type Activities* – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer systems, parking facilities, and trash collection operations are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

An analysis of the City's major funds reflected in the Fund financial statements provides detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes (specific projects), or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds, governmental and proprietary, use different accounting approaches. Beginning in fiscal year 2005, the Housing Assistance Fund became a major governmental fund and in fiscal year 2009 the CDBG Fund and the Street Improvement Fund became major funds, under the criteria required by GASB and for fiscal year 2007, the Municipal Parking Authority Fund became a major proprietary fund.

- *Governmental Funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be utilized in the near future to finance the City's programs. The relationship (difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is provided in the Reconciliation of the Balance Sheet to the Statement of Net Assets report on page 23.
- *Proprietary Funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

The City's combined net assets are \$52.5 million and \$49.5 million, with total revenues of \$38.2 million and \$37.0 million and total expenses of \$35.2 million and \$35.9 million for fiscal years 2009 and 2008, respectively.

Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	FY09	FY08	FY09	FY08	FY09	FY08
Current and Other Assets	\$ 15,984,485	\$ 7,037,650	\$ 4,270,218	\$ 5,400,672	\$ 20,254,703	\$ 12,438,322
Capital Assets	<u>21,462,324</u>	<u>21,529,715</u>	<u>68,041,734</u>	<u>66,249,884</u>	<u>89,504,058</u>	<u>87,779,599</u>
Total Assets	<u>37,446,809</u>	<u>28,567,365</u>	<u>72,311,952</u>	<u>71,650,556</u>	<u>109,758,761</u>	<u>100,217,921</u>
Long-term Debt ¹ (net of current portion)	21,748,924	14,416,038	24,821,498	26,983,532	46,570,422	41,399,570
Other Liabilities	<u>5,258,240</u>	<u>4,174,271</u>	<u>5,373,269</u>	<u>5,116,500</u>	<u>10,631,509</u>	<u>9,290,771</u>
Total Liabilities	<u>27,007,164</u>	<u>18,590,309</u>	<u>30,194,767</u>	<u>32,100,032</u>	<u>57,201,931</u>	<u>50,690,341</u>
Net Assets:						
Invested in Capital Assets (net of debt)	14,988,772	14,318,412	42,359,859	38,588,994	57,348,631	52,907,406
Restricted	886,915	657,169	-	-	886,915	657,169
Unrestricted (deficit)	<u>(5,436,042)</u>	<u>(4,998,525)</u>	<u>(242,674)</u>	<u>961,530</u>	<u>(5,678,716)</u>	<u>(4,036,995)</u>
Total Net Assets ¹	<u>\$ 10,439,645</u>	<u>\$ 9,997,056</u>	<u>\$42,117,185</u>	<u>\$39,550,524</u>	<u>\$52,556,830</u>	<u>\$49,527,580</u>

¹Long term liabilities and unrestricted net assets for FY 2008 were restated to recognize a prior period adjustment that was recorded for pension obligation debt of underfunded liabilities. The effect on Governmental Activities Net Assets was (\$3,232,736). On Business-type Activities the effect on Net Assets was (\$904,945). See Note 12 of the financial statements for detail.

Changes in Net Assets (In Millions)

	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		Total Primary <u>Government</u>	
	FY09	FY08	FY09	FY08	FY09	FY08
Revenues						
Program Revenues						
Charges for Service	\$2.3	\$2.0	\$15.6	\$14.4	\$17.8	\$16.4
Operating Grants	5.9	5.8			5.9	5.8
Capital Grants	0.7	1.0	2.1	2.8	2.8	3.8
General Revenues:						
Property Taxes	9.4	8.7			9.4	8.7
Other Taxes	0.4	0.4			0.4	0.4
Shared Revenues	1.4	1.4			1.4	1.4
Unrestricted Investment Earnings	0.1	0.1	0.0	0.1	0.1	0.2
Miscellaneous	<u>0.4</u>	<u>0.3</u>			<u>0.4</u>	<u>0.3</u>
TOTAL REVENUES	<u>20.6</u>	<u>19.7</u>	<u>17.7</u>	<u>17.3</u>	<u>38.3</u>	<u>37.0</u>
Program Expenses						
General Government	2.3	2.8			2.3	2.8
Public Safety	10.6	11.4			10.6	11.4
Public Works	3.1	3.6			3.1	3.6
Recreation	1.0	1.2			1.0	1.2
Community Development	4.3	3.9			4.3	3.9
Interest of LT Debt	0.9	0.3			0.9	0.3
Water			6.2	5.9	6.2	5.9
Sewer			5.2	5.2	5.2	5.2
Municipal Parking						
Authority			0.5	0.4	0.5	0.4
Trash			1.0	1.1	1.0	1.1
Property Rental			<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
TOTAL EXPENSES	<u>22.2</u>	<u>23.2</u>	<u>13.0</u>	<u>12.7</u>	<u>35.2</u>	<u>35.9</u>
Excess Before Transfers	-1.6	-3.5	4.6	4.6	3.0	1.0
Transfers	<u>2.1</u>	<u>1.2</u>	<u>-2.1</u>	<u>-1.2</u>	<u>-</u>	<u>-</u>
Change in Net Assets	0.4	-2.3	2.6	3.3	3.0	1.0
Net Assets-Beginning ¹	<u>10.0</u>	<u>12.3</u>	<u>39.5</u>	<u>36.2</u>	<u>49.5</u>	<u>48.5</u>
Net Assets-Ending	<u>\$10.4</u>	<u>\$10.0</u>	<u>\$42.1</u>	<u>\$39.5</u>	<u>\$52.5</u>	<u>\$49.5</u>

¹Long term liabilities and unrestricted net assets for FY 2008 were restated to recognize a prior period adjustment that was recorded for pension obligation debt of underfunded liabilities. The effect on Governmental Activities Net Assets was (\$3,232,736). On Business-type Activities the effect on Net Assets was (\$904,945). See Note 12 of the financial statements for detail.

THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$10,494,397 and \$3,217,488 million for fiscal years 2009 and 2008. This is an increase of \$7.3 million compared to fiscal year 2008, primarily attributable to the GOB debt proceeds to be used for street improvements.

For the General Fund, while most operating costs remained stable in FY 2009, the City refunded debt in the amount of \$3,148,677 in the General Fund. The City reduced the replacement of capital equipment by \$505,300, which explained the decrease in Public Works expenditures. There was an increase in the bond issue costs related to the Retirement Bond issue in the amount of \$222,271. The CDBG Fund saw an increase of \$1,470,631 in expenditures, of which the majority was related to loan proceeds being used to provide support for the construction of the new HRDC building.

Fiscal year 2009, showed an increase in taxes of \$1,026,299, due in part to the increase in assessable property values. There was a decrease in intergovernmental revenues of \$207,097 for Highway User Revenues and \$120,785 for Police Protection, both from the State of Maryland. There was an increase in charges for services, including \$133,687 for ambulance services, \$60,796 for drug seizures and \$42,705 for rental registration.

The water fund expenditures remained relatively stable but the revenue for this fund increased slightly. There was a slight increase in water revenue of \$515,305 related in part to the increase in water rates, as well as the change from quarterly to monthly billing that took place near year-end. This change also accounted for the increase in Sewer revenue of \$662,828. There was an increase of approximately \$1.4 million in capital contributions for the Water Fund and a decrease in the Sewer Funds of approximately \$2.1 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year. The second category includes changes that the Council made during the third quarter to adjust for unforeseen savings and expenses and to reflect a more accurate budget. Lastly, the Council approved several increases in appropriations to prevent budget overruns.

With these adjustments, the actual charges to appropriations (expenditures) were \$1,074,258 and \$62,038 below the final budgeted amounts for fiscal years 2009 and 2008. The main increase in expenditures was the retirement of the existing debt with the Maryland State Retirement System.

The City sold Retirement Bonds to refinance the existing retirement debt, which was initially not budgeted, since this transaction was not certain at the time the initial budget was prepared and approved.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009 and 2008, the City had \$21.5 and \$21.5 million invested in a broad range of capital assets for Governmental activities and \$68.0 and \$66.2 million for the Business-type activities.

This year the City completed several capital projects in the business type activities, which major projects included \$72,284 for the Highland Estates water lines, \$53,981 for the GIS Mapping, and \$1,986,876 for the Center City Garage improvements. The major projects that are still active and had additions to Work In Process for FY 2009 are as follows: the Water Meter Network for \$3,053,691, ENR Improvements for \$1,296,089, CSO Phase II for \$2,982,175, Rolling Mills Project for \$619,696, Ridgedale Tank Project for \$2,373,938 and WFP Chlorine System for \$13,388.

In the Governmental activities, the City had the following active projects, Rolling Mill Access Road for \$2,848,885, Traffic Lighting for \$47,143, Monroe Street Bridge for \$165,217, Henderson Avenue Bridge for \$23,245, PSB Control system for \$399,157,, PSB Boiler for \$89,000, PSB-Garage Door for \$59,500, Springdale St. Parklet for \$92,815 and \$6,527 for other miscellaneous projects. In addition the City acquired new equipment that cost a total of \$294,317, which was added to the City's Capital Asset System including IBM Server for \$84,872, LaserFische System for \$51,622, and Parking Kiosks for \$67,050.

Additional detail regarding Capital Assets can be found in Note 5 to the financial statements, titled "Capital Assets."

Debt

At year-end, the City had \$47.5 million and \$41.5 million in bonds, notes and leases outstanding for fiscal years 2009 and 2008.

Outstanding Debt at Year-End
(as restated for FY 2008)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	FY09	FY08	FY09	FY08	FY09	FY08
General Obligation Bonds	\$17,257,140	\$8,665,732	\$23,857,252	\$25,651,476	\$41,114,392	\$34,317,208
Notes and Leases	<u>3,424,629</u>	<u>3,817,476</u>	<u>2,984,845</u>	<u>3,322,252</u>	<u>6,409,474</u>	<u>7,139,728</u>
Totals	<u>\$ 20,681,769</u>	<u>\$12,483,208</u>	<u>\$ 26,842,097</u>	<u>\$ 28,973,728</u>	<u>\$ 47,523,866</u>	<u>\$ 41,456,936</u>

In fiscal year 2009, the City authorized \$9,070,000 in General Obligation Bonds for Street Improvements and \$4,665,000 in Pension Contribution Bonds.

The City obtained a Section 108 loan consisting of Community Development Block Grant funds in the amount of \$1.4 million that was utilized to provide funding assistance for the construction of a new office facility for the Human Resources Development Commission. This loan was obtained in FY 2008 but was disbursed to HRDC in FY 2009. The City will repay \$360,000 of this loan, with the balance being reimbursed by the HRDC. The detail of the various operating leases can be found in Note of the financial statements, which also includes additional detail regarding the City's debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the City/County now stands at 8.6%, which was a 2.3% increase from FY 2008. This compares with the State's unemployment rate of 7.3%.

The City continues to experience a gradual increase in real property values within the City. However, the State of Maryland reduced its contribution for Highway User Revenue and Police Subsidy by \$1.3 million three months into the FY 2010 fiscal year. The City has taken a number of steps to address this budget shortfall, including a major reduction of its OPEB health care for retirees and an early retirement incentive program, wherein most vacancies that are created will not be filled. These reductions and other operating cost savings should provide the needed expenditure reductions.

The City has added no new major programs or initiatives to the 2010 budget.

In October 2009 the City issued Water Quality Bonds in the amount of \$6 million and \$3,657,700, which were financed by the Maryland Water Quality financing Administration with

a zero percent interest rate. In addition, the \$6.0 million bonds were financed by a forgivable loan from the State of Maryland.

CONTACT THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If there are any questions about this report or if additional financial information is needed, please contact the City Comptroller's Office at P.O. Box 1702, Cumberland, Maryland, 21502 or 57 N. Liberty Street, Cumberland, Maryland, 21502.

Basic Financial Statements

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash	\$ 257,584	\$ 62,169	\$ 319,753
Investments	256,247	5,833	262,080
Taxes receivable	1,205,672		1,205,672
Accounts receivable	420,647	2,740,531	3,161,178
Due from other governments	1,040,305	226,598	1,266,903
Internal balances	(236,601)	236,601	-
Prepaid expenses	1,436,003	413,162	1,849,165
Inventory	7,746	225,694	233,440
Total Current Assets	<u>4,367,603</u>	<u>3,910,588</u>	<u>8,298,191</u>
Noncurrent assets:			
Housing loans receivable	339,152		339,152
Loans receivable	507,406		507,406
Notes receivable	1,044,166		1,044,166
Restricted cash	4,610,562		4,610,562
Restricted investments	4,806,833	184,822	4,991,655
Property, plant and equipment:			
Land and land improvements	974,496	814,579	1,789,075
Buildings & Improvements	13,700,162	86,543,240	100,243,402
Machinery and equipment	7,277,903	4,526,171	11,804,074
Infrastructure	20,526,362		20,526,362
Construction in progress	3,731,488	10,338,978	14,070,466
Accumulated depreciation	(24,748,087)	(34,181,234)	(58,929,321)
Other assets		25,000	25,000
Deferred charge	288,763	149,808	438,571
Total Non-Current Assets	<u>33,059,206</u>	<u>68,401,364</u>	<u>101,460,570</u>
Total Assets	<u>\$ 37,446,809</u>	<u>\$ 72,311,952</u>	<u>\$ 109,758,761</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	1,702,209	1,870,285	3,572,494
Accrued wages	461,779	144,338	606,117
Accrued interest	264,499	201,512	466,011
Unearned revenue	429,629	7,085	436,714
Deposits payable	63,743		63,743
Current portion of compensated absences	815,387	244,455	1,059,842
Current portion of workers' comp payable	337,276	58,014	395,290
Current portion of bonds and notes payable	1,181,375	2,847,580	4,028,955
Total Current Liabilities	<u>5,255,897</u>	<u>5,373,269</u>	<u>10,629,166</u>
Noncurrent liabilities:			
Bonds and notes payable (net of current portion)	19,500,394	23,994,517	43,494,911
Compensated absences (net of current portion)	1,139,661	503,632	1,643,293
Retainage payables	82,159	136,243	218,402
Other post-employment benefit (OPEB) obligation	64,403	21,580	85,983
Workers' comp claims payable (net of current portion)	962,307	165,526	1,127,833
Lenders loan pool payable	2,343		2,343
Total Non-Current Liabilities	<u>21,751,267</u>	<u>24,821,498</u>	<u>46,572,765</u>
Total Liabilities	<u>27,007,164</u>	<u>30,194,767</u>	<u>57,201,931</u>
NET ASSETS:			
Investment in capital assets (net of related debt)	14,988,772	42,359,859	57,348,631
Restricted for:			
Capital Projects	-		-
Community Development	468,231		468,231
Housing Assistance Program	38,724		38,724
Restricted Cash and Investment Balances, Non Capital	379,960	-	379,960
Unrestricted (Deficit)	(5,436,042)	(242,674)	(5,678,716)
Total Net Assets	<u>10,439,645</u>	<u>42,117,185</u>	<u>52,556,830</u>
Total Liabilities and Net Assets	<u>\$ 37,446,809</u>	<u>\$ 72,311,952</u>	<u>\$ 109,758,761</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:	\$ 3,129,926	\$ (865,023)	\$ 678,839	\$ 30,278	\$ -	\$ (1,555,786)	\$ -	\$ (1,555,786)
	10,600,736		1,348,944	1,224,266	-	(8,027,526)		(8,027,526)
	3,554,939	(423,753)	-	1,427,011	516,099	(1,188,076)		(1,188,076)
	1,038,081	(42,693)	116,688	24,916	185,011	(668,773)		(668,773)
	4,293,984		109,047	3,209,155	-	(975,782)		(975,782)
Interest on long-term debt	899,308					(899,308)		(899,308)
Total Governmental Activities	23,486,974	(1,331,469)	2,253,518	5,915,626	701,110	(13,285,251)	-	(13,285,251)
Business-type Activities:								
	5,522,716	639,105	8,139,843		1,439,997		3,418,019	3,418,019
	4,572,181	599,161	5,526,205		676,224		1,031,087	1,031,087
	548,361		628,769		-		80,408	80,408
	982,106	93,203	1,131,770		-		56,461	56,461
Property Rental	120,112		136,123		-		16,011	16,011
Total Business-type Activities	11,745,476	1,331,469	15,562,710	-	2,116,221	-	4,601,986	4,601,986
Total Government	\$ 35,232,450	\$ -	\$ 17,816,228	\$ 5,915,626	\$ 2,817,331	\$ (13,285,251)	\$ 4,601,986	\$ (8,683,265)
General Revenues:								
Taxes:								
	Property taxes					\$ 9,434,314		\$ 9,434,314
	Franchise Fees					276,445		276,445
	Other Taxes					150,390		150,390
	Shared revenues - income tax					1,357,674		1,357,674
	Unrestricted investment earnings					123,212	17,591	140,803
	Miscellaneous					352,889		352,889
	Transfers					2,052,916	(2,052,916)	-
Total General Revenues and Transfers						13,747,840	(2,035,325)	11,712,515
Change in Net Assets						462,589	2,566,861	3,029,250
Net Assets - Beginning, As Restated						9,977,056	39,550,524	49,527,580
Net Assets - Ending						\$ 10,439,645	\$ 42,117,185	\$ 52,556,830

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	Housing Assistance Fund	CDBG Fund	Street Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 101,802	\$ 1,522	\$ 25	\$ 4,531,900	\$ 154,235	\$ 4,789,484
Investments	1,816			4,505,535	254,431	4,761,782
Taxes receivable	1,197,037				8,635	1,205,672
Accounts receivable	405,679	996			13,972	420,647
Due from other governments	640,039	139,837	122,833		137,596	1,040,305
Interfund receivables	71,700	-			241,360	313,060
Prepaid expenditures	1,424,465	-	197		11,341	1,436,003
Inventory	7,746					7,746
Restricted cash	77,535		1,127			78,662
Restricted investment	248,586		44,833		7,879	301,298
Housing loans receivable					339,152	339,152
Loans receivable					507,406	507,406
Notes receivable			1,040,000		4,166	1,044,166
Total Assets	\$ 4,176,405	\$ 142,355	\$ 1,209,015	\$ 9,037,435	\$ 1,680,173	\$ 16,245,383
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 1,394,950	\$ 1,890	\$ 121,279	\$ 7,055	\$ 177,035	\$ 1,702,209
Accrued wages	433,460	3,689	12,595		12,035	461,779
Interfund payables	179,170	178,000	15,900		176,591	549,661
Deferred revenue	1,432,433	-	1,040,000		498,818	2,971,251
Lenders loan pool payable					2,343	2,343
Deposits payable	63,743					63,743
Total Liabilities	3,503,758	183,579	1,189,774	7,055	866,822	5,750,986
FUND BALANCES:						
Fund balances (deficit):						
Reserved for restrictions	326,121	38,724	45,960		7,879	418,684
Reserved for long-term assets	59,749				421,097	480,846
Reserved for inventories	7,746					7,746
Reserved for prepaids	1,424,465	-	197		11,341	1,436,003
Reserved for encumbrances	77,679				12,784	90,463
Unreserved:						
Undesignated-General Fund	(1,223,111)					(1,223,111)
Undesignated-Special Revenue Funds		(79,948)	(26,916)		223,313	116,449
Undesignated-Capital Projects Fund				9,030,380	136,937	9,167,317
Total Fund Balances (Deficit)	672,649	(41,224)	19,241	9,030,380	813,351	10,494,397
Total Liabilities and Fund Balances	\$ 4,176,405	\$ 142,355	\$ 1,209,015	\$ 9,037,435	\$ 1,680,173	\$ 16,245,383

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

Fund Balances - Total Governmental Funds \$ 10,494,397

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	46,210,411	
Less: Accumulated Depreciation	<u>(24,748,087)</u>	21,462,324

Bond issue costs to be amortized over the life of the debt.

Deferred Charges - Bond Issue Costs, Net of Amortization	288,763
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Long-term liabilities, including a portion of compensated absences are not due and
and payable in the current period and therefore are not reported in the
governmental funds.

Governmental Bonds and Notes Payable	(20,681,769)	
Compensated Absences	(1,955,048)	
Retainage on Construction Project	(82,159)	
Other Post-Employment Benefit Obligation	(64,403)	
Workers Compensation	(1,299,583)	
Accrued Interest	<u>(264,499)</u>	(24,347,461)

Deferred revenue reported on modified accrual basis of accounting in governmental
funds is susceptible to full accrual on the entity-wide statements.

Deferred Revenue	<u>2,541,622</u>
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Net Assets of Governmental Activities	<u><u>\$ 10,439,645</u></u>
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Housing Assistance Fund</u>	<u>CDBG Fund</u>	<u>Street Improvement Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 9,560,479	\$ -	\$ -	\$ -	\$ 239,289	\$ 9,799,768
Licenses and permits	236,101					236,101
Intergovernmental	3,590,705	1,815,493	1,323,693		1,475,674	8,205,565
Charges for services	1,579,796				26,040	1,605,836
Fines and forfeitures	500					500
Interest	6,299		19,293	88,695	10,699	124,986
Miscellaneous	730,685	4,060	500		81,772	797,017
Total Revenues	<u>15,704,565</u>	<u>1,819,553</u>	<u>1,343,486</u>	<u>88,695</u>	<u>1,813,474</u>	<u>20,769,773</u>
Expenditures:						
Current:						
General government	1,872,701				333,996	2,206,697
Public safety	10,223,765				446,389	10,670,154
Public works	2,486,053				-	2,486,053
Recreation	977,297				32,308	1,009,605
Community development and housing	595,564	1,843,468	2,479,375		530,860	5,449,267
Capital Outlay				78,226	852,186	930,412
Debt service:						
Principal	1,094,334	4,800	3,795	-	61,899	1,164,828
Interest	514,034		40,503	138,987	24,012	717,536
Bond Issue Costs	222,271			72,419	-	294,690
Total Expenditures	<u>17,986,019</u>	<u>1,848,268</u>	<u>2,523,673</u>	<u>289,632</u>	<u>2,281,650</u>	<u>24,929,242</u>
Revenues in Excess of (Less Than) Expenditures	<u>(2,281,454)</u>	<u>(28,715)</u>	<u>(1,180,187)</u>	<u>(200,937)</u>	<u>(468,176)</u>	<u>(4,159,469)</u>
Other Financing Sources (Uses):						
Transfers-in	2,056,556	-	5,017	161,317	254,438	2,477,328
Transfers-out	(406,131)				(277,235)	(683,366)
Issuance of debt	84,872	-		9,070,000	-	9,154,872
Issuance of refunding bonds	3,636,221				-	3,636,221
Refunded bonds redeemed	(3,148,677)				-	(3,148,677)
Total Other Financing Sources	<u>2,222,841</u>	<u>-</u>	<u>5,017</u>	<u>9,231,317</u>	<u>(22,797)</u>	<u>11,436,378</u>
Net Change in Fund Balance	(58,613)	(28,715)	(1,175,170)	9,030,380	(490,973)	7,276,909
Fund balance, beginning	731,262	(12,509)	1,194,411	-	1,304,324	3,217,488
Fund balance (deficit), ending	<u>\$ 672,649</u>	<u>\$ (41,224)</u>	<u>\$ 19,241</u>	<u>\$ 9,030,380</u>	<u>\$ 813,351</u>	<u>\$ 10,494,397</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
RECONCILIATION OF THE STATEMENT OF THE GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 7,276,909

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlays exceed depreciation in the current year.

Expenditures for Capital Assets	1,508,817	
Retainage on Construction Projects	(82,159)	
Less: Current Year Depreciation	(1,576,208)	(149,550)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments in the current year.

Bond and Loan Proceeds	(12,791,093)	
Deferred Charges - Bond Issue Costs, Net of Amortization	288,763	
Principal Payments	4,592,532	(7,909,798)

Some revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues in governmental funds.

Deferred Revenue	841,815
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	172,713	
Other post-employment benefit obligation	(64,403)	
Workers compensation	446,675	
Accrued interest adjustment	(151,772)	403,213

Change in Net Assets of Governmental Activities	\$ 462,589
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CITY OF CUMBERLAND, MARYLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,101	\$ 6,587	\$ 29,343	\$ 25,138	\$ 62,169
Investments	3,138	2,695	-	-	5,833
Accounts receivable	1,452,890	1,181,365	711	105,565	2,740,531
Due from other governments	147,024	72,489	-	7,085	226,598
Prepaid expenses	379,352	33,810	-	-	413,162
Inventory	224,207	1,487	-	-	225,694
Interfund receivables, current	-	150,000	52,700	20,000	222,700
Total Current Assets	2,207,712	1,448,430	82,754	157,788	3,896,687
Noncurrent Assets:					
Interfund receivables, non-current	146,867	355,954	-	-	502,821
Restricted investments	68,877	84,385	31,560	-	184,822
Land and land improvements	187,634	446,208	180,737	-	814,579
Buildings and improvements	42,456,961	36,846,731	5,955,755	1,283,793	86,543,240
Machinery and equipment	2,445,684	1,778,005	302,482	-	4,526,171
Accumulated depreciation	(15,443,967)	(16,524,454)	(1,736,037)	(476,776)	(34,181,234)
Construction in progress	4,353,642	5,985,336	-	-	10,338,978
Deferred charge	50,903	40,746	17,935	224	149,808
Evitts Creek Water Company, capital stock	25,000	-	-	-	25,000
Total Non-Current Assets	34,331,601	29,012,911	4,752,432	807,241	68,904,185
Total Assets	\$ 36,539,313	\$ 30,461,344	\$ 4,835,186	\$ 965,029	\$ 72,800,872
LIABILITIES					
Current Liabilities:					
Accounts payable	1,188,862	539,529	7,456	134,438	1,870,285
Accrued wages	70,937	65,897	7,504	-	144,338
Accrued interest	107,451	58,400	34,811	850	201,512
Interfund payables, current	11,951	-	-	-	11,951
Deferred revenues	-	-	-	7,085	7,085
Current portion of compensated absences	116,529	116,313	11,513	-	244,455
Current portion of workers' comp. claims payable	22,014	36,000	-	-	58,014
Current portion of bonds and notes payable	1,921,910	606,437	311,410	7,823	2,847,580
Total Current Liabilities	3,436,754	1,422,576	372,694	150,196	5,385,220
Noncurrent Liabilities:					
Compensated absences (net of current portion)	225,522	255,449	22,661	-	503,632
Workers' comp. claims payable (net of current portion)	62,809	102,717	-	-	165,526
Retainage payables	129,418	6,825	-	-	136,243
Other post-employment benefit (OPEB) obligation	11,633	8,935	1,012	-	21,580
Interfund payables, non-current	-	-	285,604	191,365	476,969
Bonds and notes payable (net of current portion)	15,412,779	6,048,663	2,492,581	40,714	23,994,517
Total Non-Current Liabilities	15,842,161	6,422,589	2,801,638	232,079	25,298,467
Total Liabilities	19,281,915	7,845,165	3,174,332	382,275	30,683,687
NET ASSETS					
Invested in capital assets, net of related debt	17,182,497	22,462,410	1,956,472	758,480	42,359,859
Restricted	-	-	-	-	-
Unrestricted	74,901	153,769	(295,618)	(175,726)	(242,674)
Total Net Assets	17,257,398	22,616,179	1,660,854	582,754	42,117,185
Total Liabilities and Net Assets	\$ 36,539,313	\$ 30,461,344	\$ 4,835,186	\$ 965,029	\$ 72,800,872

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal/ Parking Authority	Non-Major Proprietary Funds	Total
Operating Revenues:					
Charges for Services:					
Domestic	\$ 2,919,667	\$ 3,286,398	\$ -	\$ 1,112,821	\$ 7,318,886
Industrial	2,286,093	467,244	-	2,732	2,756,069
Sanitary commissions	-	1,686,225	-	-	1,686,225
Water companies	2,806,629	-	-	-	2,806,629
Rents/Concessions	-	-	580,779	136,123	716,902
Connection Charges	79,959	3,735	-	-	83,694
Other	47,495	102,603	47,990	16,217	214,305
Total Operating Revenues	<u>8,139,943</u>	<u>5,526,205</u>	<u>628,769</u>	<u>1,267,853</u>	<u>15,562,710</u>
Operating Expenses:					
Personal services	2,179,198	2,097,266	204,898	-	4,481,362
Utilities	198,599	391,156	29,176	41,478	660,409
Supplies	384,174	188,376	-	17,790	590,340
Repairs and maintenance	640,179	336,274	22,572	6,769	1,005,794
Landfill fees	-	13,780	-	403,305	417,085
Depreciation	1,099,276	1,013,697	123,012	45,912	2,281,897
Contractual services	96,465	255,417	1,562	965,069	920,533
Other operating expenses	1,087,052	673,305	9,583	112,324	1,882,264
Total Operating Expenses	<u>5,686,963</u>	<u>4,969,271</u>	<u>390,803</u>	<u>1,192,647</u>	<u>12,239,684</u>
Operating Income (Loss)	<u>2,452,980</u>	<u>556,934</u>	<u>237,966</u>	<u>75,246</u>	<u>3,323,026</u>
Non-Operating Revenues (Expenses):					
Interest income	9,758	4,752	3,081	-	17,591
Interest expense	(449,808)	(162,802)	(130,011)	(2,729)	(745,150)
Amortization expense	(11,274)	(2,366)	(2,343)	(46)	(16,018)
Loss on disposal of assets	(13,776)	(37,113)	(25,204)	-	(76,093)
Total Non-Operating Income (Loss)	<u>(465,100)</u>	<u>(197,319)</u>	<u>(154,477)</u>	<u>(2,774)</u>	<u>(819,570)</u>
Net Income Before					
Contributions and Transfers	1,987,780	359,615	83,489	72,472	2,503,356
Capital contributions	1,439,997	676,224	-	-	2,116,221
Assumption of governmental activities debt	-	-	(258,954)	-	(258,954)
Transfers-in(out)	(1,270,640)	(607,276)	258,954	(175,000)	(1,793,962)
Net Income (Loss)	<u>2,167,137</u>	<u>428,563</u>	<u>83,489</u>	<u>(102,528)</u>	<u>2,566,661</u>
Net assets-beginning of year, as restated	<u>15,100,261</u>	<u>22,187,616</u>	<u>1,577,365</u>	<u>685,282</u>	<u>39,550,524</u>
Net assets-end of year	<u>\$ 17,267,398</u>	<u>\$ 22,616,179</u>	<u>\$ 1,660,854</u>	<u>\$ 582,754</u>	<u>\$ 42,117,185</u>

The accompanying Notes to Financial Statements are an integral part of this statement

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Cash Flows from Operating Activities:					
Cash receipts from customers	\$ 7,909,331	\$ 5,152,849	\$ 622,728	\$ 1,271,894	\$ 14,956,802
Cash payments to suppliers	(1,387,868)	(2,176,247)	(174,411)	(1,065,433)	(5,353,959)
Cash payments for personal services	(2,162,052)	(2,076,870)	(207,291)	-	(4,446,213)
Other operating receipts	47,495	102,603	47,990	16,217	214,305
Net Cash Provided (Used) Operating Activities	4,406,906	452,335	289,016	222,478	5,370,735
Cash Flows from Noncapital Financing Activities:					
Transfers (to) other funds	(1,270,640)	(607,276)	258,954	(175,000)	(1,793,962)
Loans from (to) other funds	494,695	142,308	31,857	(143,870)	524,990
Net Cash Provided (Used) by Noncapital Financing Activities	(775,945)	(464,968)	290,811	(318,870)	(1,268,972)
Cash Flows from Capital and Related Financing Activities:					
Capital grant proceeds	1,292,973	1,506,981	-	578	2,799,532
Acquisition and construction of capital assets	(2,961,235)	(1,032,128)	(196,480)	-	(4,188,843)
Proceeds from capital debt/reallocation of capital debt	478,595	682,580	(231,835)	-	929,340
Principal paid on capital debt	(2,255,602)	(1,014,887)	(62,082)	(7,426)	(3,339,997)
Interest paid on capital debt	(432,764)	(154,603)	(129,015)	(2,869)	(719,141)
Deferred financing charge	(26,850)	(30,072)	(1,576)	-	(58,498)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,904,853)	(43,029)	(619,988)	(9,707)	(4,577,507)
Cash Flows from Investing Activities:					
Interest on investments	9,768	4,752	3,081	-	17,591
Net sale (purchase) of investments	122,546	42,718	59,806	-	225,070
Net Cash Provided (Used) by Investing Activities:	132,314	47,470	62,887	-	242,661
Net Increase (Decrease) in Cash and Cash Equivalents	(141,618)	(8,192)	22,726	(106,099)	(233,183)
Cash and Cash Equivalents at Beginning of Year	145,857	17,474	6,617	131,237	301,185
Cash and Cash Equivalents at End of Year	\$ 4,239	\$ 9,282	\$ 29,343	\$ 25,138	\$ 68,002

CITY OF CUMBERLAND, MARYLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)

	BUSINESS-TYPE ACTIVITIES-ENTERPRISE FUNDS				
	Water Fund	Sewer Fund	Municipal Parking Authority	Non-Major Proprietary Funds	Total
Reconciliation of Cash to Statement of Net Assets					
Cash balance-Statement of Net Assets	\$ 1,101	\$ 6,987	\$ 29,343	\$ 25,138	\$ 62,169
Investment balance-Statement of Net Assets	3,138	2,696	-	-	5,833
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 4,239</u>	<u>\$ 9,683</u>	<u>\$ 29,343</u>	<u>\$ 25,138</u>	<u>\$ 68,002</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 2,452,880	\$ 556,934	\$ 237,966	\$ 75,246	\$ 3,323,026
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,099,276	1,013,697	123,012	45,912	2,281,897
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(177,357)	(270,753)	41,949	12,933	(393,228)
(Increase) decrease in prepaid expenses	(65,558)	(33,810)	-	-	(99,368)
(Increase) decrease in inventory	(1,050)	26	-	-	(1,024)
Increase (decrease) in accounts payable	957,811	(866,713)	(111,518)	81,302	60,882
Increase (decrease) in retainage payable	129,418	6,825	-	-	136,243
Increase (decrease) in workers' comp. claims payable	(32,795)	(15,360)	-	-	(48,155)
Increase (decrease) in accrued wages and compensated absences	98,308	26,821	(3,405)	-	61,724
Net cash provided (used) by operating activities	<u>\$ 4,400,933</u>	<u>\$ 417,667</u>	<u>\$ 288,004</u>	<u>\$ 215,393</u>	<u>\$ 5,321,997</u>
 Noncash operating, financing, and investing activities:					
Loss on disposition of fixed assets	13,776	37,113	25,204	-	76,093
Assumption of governmental activities debt	-	-	258,954	-	258,954
Amortization of bond issuance costs	11,274	2,356	2,343	45	16,018

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Introduction

The City of Cumberland, Maryland (the City) was incorporated January 23, 1815. The City operates under a City-Administrator form of government per Charter Amendment #79 dated November 10, 1980 and provides the following services as authorized by its charter: public safety (police and fire), public works (maintenance, sewer, streets, water), recreation, community development and housing, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

The more significant accounting policies established in GAAP and used by the City are discussed below.

B. Financial reporting entity

The reporting entity includes all of the City's departments and agencies.

GASB Statement 14 defines component units as legally separate entities that are to be included in a government's reporting entity because of the significance of their operating or financial relationships with the government. The City has determined it does not have any component units required to be included in its financial statements.

C. Basic Financial Statements

The City's basic financial statements include both (1) government-wide (reporting the City as a whole) and (2) fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, recreation, public works, community development and housing, and general administrative services are classified as governmental activities. The City's water, sewer and trash services, municipal parking authority and property rental operations are classified as business-type activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

Government-wide financial statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net costs of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, urban development and housing, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, or income taxes, intergovernmental revenues, interest income, etc.).

The City allocates indirect costs from the General Fund to the Water, Sewer, Trash, and certain special revenue funds. To accomplish this allocation, the General Fund charges an administrative service charge to those funds to recover the costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.). The government-wide financial statements present this allocation in a separate column entitled "Indirect Expense Allocation". In the fund financial statements described below, these charges are reported as expenses in the Water, Sewer, Trash and special revenue funds rather than in the General Fund.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund financial statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity,

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes or that have been segregated by management to account for resources.
- c. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

Major Funds – Government-wide Fund Financial Statements

GASBS No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Housing Assistance Fund accounts for the administration and payment of rent to provide improved housing for low income residents of the City of Cumberland. Funding is provided by the Department of Housing and Urban Development to the State of Maryland and then passed through to the City as a sub recipient. Approximately 500 individuals are assisted annually.

The Community Development Block Grant (CDBG) Fund is a special revenue fund for segregating and tracking expenditures related to CDBG funds received from the State of Maryland and utilized to support Community Development activities throughout the City.

The Street Improvement Fund (SIF) is a capital projects fund that the Mayor and City Council directed to have created for tracking the tax revenue proceeds collected from the tax increase that was authorized in FY 2009 and beyond, to support the debt payments, as well as to track the utilization of the bond proceeds for the SIF of \$9,070,000 received in FY 2009.

The City reports the following major proprietary funds:

The Water Fund accounts for the acquisition and maintenance of the water service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Sewer Fund accounts for the acquisition and maintenance of the sewer service provided to users within the boundaries of the City of Cumberland and certain outlying areas.

The Municipal Parking Authority accounts for the acquisition and maintenance of the municipal parking facilities within the boundaries of the City of Cumberland, which are available for use by the public.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

D. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting and utilize the economic resource focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when eligibility requirements have been met.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting and utilize the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Revenue sources subject to accrual include property taxes and other revenues such as income taxes, federal grants, and state grants. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

E. Financial Statement Amounts

Cash

Cash and cash equivalents in the statement of cash flows includes currency on hand, demand deposits and investments with maturities of three months or less.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

Investments

Investments for all funds are reported at fair value, which is determined using selected bases. Short-term investments such as overnight repurchase agreements, repurchase agreements, and U.S. Treasury obligations are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments with the MD Local Government Investment Pool are reported at current value.

Inventory

Inventory is valued at cost, using the first-in, first-out (FIFO) cost method. The inventory is recorded as an asset when purchased and charged to expenditure when used.

Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available resources.

Receivables

The accounts receivable in the Water Fund and Sewer Fund represent gross receivables of the respective funds with no valuation allowance made for doubtful accounts since the City has preferred status in that water and sewer services are not resumed for the property until the receivables are collected. Similarly no valuation allowance is made for real estate property taxes receivable since title to real property does not pass until real estate taxes are paid in full.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables” and “interfund payables” in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Any long-term portion of interfund receivables, as reported in the fund financial statements, is offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings	40-50 years
Water and sewer system	40-50 years
Machinery and equipment	3-20 years
Improvements	10-30 years
Other infrastructure	10-75 years

Deferred Revenues – Fund Financial Statements

Property tax revenue is required to be recognized in the fiscal year for which taxes have been levied, provided they are available to finance the budget for a particular period. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Generally accepted accounting principles provide that such time thereafter shall not exceed sixty days. To the extent property tax levies have not been collected within sixty days past year-end, the City has deferred the revenue.

In accordance with Governmental Accounting Standards Board Statement 33, non-exchange revenue (for example, most taxes, grants, and private donations) not received within sixty days after the fiscal year end is deferred and recognized as revenue in future periods when it becomes available.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable, accrued compensated absences, workers' compensation payable, and capital leases payable.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financial sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation in the government-wide financial statement. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses and are not eliminated in the process of consolidation in the government-wide financial statements. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Bond Discounts and Issuance Costs

In the governmental funds, bond discounts and issuance costs are treated as period costs in the year of issues.

In proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other costs.

At the government-wide level these costs in the governmental funds are adjusted and reported in the same way as in proprietary funds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The following funds were affected:

	Total Interest Costs Incurred	Interest Charged To Expense	Interest Cost Capitalized	Interest Revenue Used to Offset Interest Costs	Net Capitalized Interest
Water Fund	\$ 532,762	\$ 449,808	\$ 82,954	\$ -	\$ 82,954
Sewer Fund	226,671	162,602	64,069	-	64,069
MPA Fund	130,011	130,011	-	-	-
Non-Major Proprietary Funds	2,729	2,729	-	-	-

Interest costs are expensed when incurred by governmental fund types where proceeds are used to finance the construction of capital assets.

Operating and Non-Operating Revenues

The statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues. For this purpose, operating revenues, such as water, sewer, and trash fees, result from exchange transactions associated with the principal activities of the City. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the City's principal activities (such as investment income) and from all non-exchange transactions (such as grants).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

F. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual operating budget is legally adopted for the General Fund. The budget amounts in the required supplemental information were adopted on a basis consistent with generally accepted accounting principles and are as originally adopted or as amended by the City Council. Supplemental appropriations in the amount of \$870,308 were approved for fiscal year 2009 during fiscal year 2009 and fiscal year 2010.

Annual budgets for other governmental fund types are not adopted and therefore are not presented.

The City has elected to employ the use of encumbrance accounting for financial and budgetary reporting purposes for the governmental funds in order to carry forward the requisite governmental funds for purchase orders that are outstanding at year end and where these commitments are intended to be fulfilled. These governmental funds are reserved and are not available for new spending. Appropriations for proprietary fund generally lapse at year end and are treated as expenditures in the year the liability is incurred.

The City follows these procedures in establishing the budgetary data reflected in the financial statements. Expenditures may not legally exceed appropriations at the function level.

1. Approximately in February, revenues are projected for the fiscal year commencing the following July 1. This information is forwarded to the individual department heads to prepare their budgets according to the projected revenues.
2. The department budgets are accumulated by the City Administrator, who prepares a formal budget and submits it to the Mayor and City Council.
3. Public hearings are conducted at the City Hall to obtain taxpayer comments.
4. Prior to July 1, the budget is legally enacted through passage of an ordinance.
5. The Mayor and City Council can approve supplemental appropriations during the year.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1. Summary of Significant Accounting Policies – (Continued)

6. The Mayor and City Council can approve budget amendments between departments during the year.

Net Assets/Fund Balance Deficit

The following funds had deficit fund balances at June 30, 2009:

Trash Fund	(188,478)
Housing Assistance Fund	(41,224)
Program Open Space	(10,373)
Tax Increment Financing District	(34,321)
Police Grants	(98,852)
Economic Development	(25,936)
Miscellaneous Special Revenue Funds	
Capital Projects	(4,679)
Special Recreation	(18,184)
Shade Tree Commission	(2,844)
Urban Tree	(10,999)

All of the aforementioned funds will have their deficit fund balances restored with the recognition of deferred revenue at June 30, 2009 as revenue in fiscal year 2010 or with the receipt of grant reimbursements and fund transfers in future years.

Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

Note 2. Cash and Investments

Cash

As of June 30, 2009, the carrying amount of the City's deposits was \$4,930,315 and the bank balance was \$5,262,561 (including an investment in an overnight repurchase agreement in the amount of \$458,459).

Cash Risks and Policies

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits with financial institutions to be fully secured by collateral. The City's cash

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2. Cash and Investments – (Continued)

balances at financial institutions at June 30, 2009 are fully collateralized with securities held by the City's agent in the City's name.

Investments

As of June 30, 2009, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Total</u>	<u>Investment Maturity</u>		<u>Credit Rating</u>
		<u>Less than 90 Days</u>	<u>90 days to one year</u>	
Municipal Money Market Savings	\$ -	\$ -	\$ -	N/A
Maryland Local Government Investment Pool	5,174,991	5,174,991	-	N/A
U.S. Treasury Money Market	78,744	78,744	-	N/A
	\$5,253,735	\$ 5,253,735	\$ -	

Investment Risks and Policies

Credit Risk: Article 95, Section 22 of the Annotated Code of Maryland authorizes the City to invest surplus funds in bonds or in other obligations of which the full faith and credit of the United States of America are pledged, obligations of federal government agencies issued in accordance with an Act of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, any bank or banks in the State of Maryland, any savings and loan association, any building and loan association, in interest-bearing time deposit; and/or savings accounts, or in the Maryland Local Government Investment Pool. The City's investment policy limits its investments to those authorized by State statute. The City is in compliance with State statutes and its investment policy.

The City invests in the Maryland Local Government Investment Pool which is administered by the Mercantile-Safe Deposit and Trust Company. These approved investments are carried at cost, which approximates market and may be liquidated as needed. Due to the short-term nature of the Maryland Local Government Investment Pools' assets and liabilities, the carrying value as recorded in the statements of assets and liabilities approximates fair value. The Maryland Local Government Investment Pool is not registered with the Securities and Exchange Commission. The Board for the Maryland State Treasurer's Office oversees its operations.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2. Cash and Investments – (Continued)

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy indicates that the majority of the investments of the City will be on a short term basis (less than one year). However, a portion of the portfolio can contain investments with longer maturities (up to two years from date of purchase). These investments are limited to direct federal government obligations and to securities issued by U.S. Government agencies.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's investment policy specifies the following diversification by instrument:

<u>Diversification by Instrument</u>	<u>Maximum Percent of Portfolio</u>
U.S. Treasury Obligations	100%
Maryland Local Government Investment Pool	90%
Repurchase Agreements (Master Repurchase Agreement required)	70%
Collateralized Certificates of Deposit (Only Maryland Commercial Banks)	70%
U.S. Government Agency and U.S. Government-sponsored instrumentalities	50%

Additionally, no more than 70% of the City's total investments may be placed at any one financial institution.

The City's investments meet the aforementioned policy.

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is to be held by a third party custodian with whom the City has a current custodial agreement in the City's name. All of the City's investments are collateralized with securities held by the City's agent in the City's name. The City's investment policy and state law requires collateralization of 102% of market value of investments. The City's is in compliance with its investment policy and State law having all deposits and investments collateralized at 102% of market value with bonds or other obligations secured by the full faith and credit of the United States.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 2. Cash and Investments – (Continued)

Restricted cash is reported in the General Fund in the amount of \$77,535. This cash is obtained through police seizures and restricted for public safety activities. Restricted cash is also reported in the CDBG Fund in the amount of \$1,127. This cash is restricted for the purpose of the Section 108 HUD Loan.

Restricted investments are reported in the General, CDBG Fund, Water, Sewer, MPA, and Non-Major Governmental Funds in the amount of \$486,120. These investments are restricted for the acquisition of assets and improvements under various financing arrangements.

On the Government-wide financial statements, cash and investments of the Street Improvement Fund are reported as restricted non-current assets due to the fact that these funds are designated for the construction and acquisition of non-current assets.

Note 3. Due from Other Governments

Amounts due from other governments primarily represent tax, grant and shared revenues due from the Federal, State and local governments.

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements

Interfund receivables and payables and transfers as of June 30, 2009 are as follows:

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 11,951	\$ 179,170
Housing Assistance Fund	-	178,000
CDBG Fund	-	15,900
Street Improvement Fund	-	-
Non-Major Government Funds	241,360	90,990
Sub-total	253,311	464,060
Proprietary Funds:		
Water Fund	-	11,951
Sewer Fund	150,000	-
MPA Fund	52,700	-
Non-Major Proprietary Funds	20,000	-
Sub-total	222,700	11,951
Total Interfund Receivable/Payable-Current	\$ 476,011	\$ 476,011

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements –
(Continued)

All current interfund receivables are expected to be repaid within the next fiscal year. The interfund balances as of June 30, 2009 are the result of a centralized cash receipt and disbursement function. This results in funds having a deficiency or excess of cash depending on the timing of the receipt of revenues or other sources and/or the payment of expenditures (or expenses) or other uses of cash.

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 59,749	\$ -
Housing Assistance Fund	-	-
CDBG Fund	-	-
Street Improvement Fund	-	-
Non-Major Governmental Funds	-	85,601
Sub-total	59,749	85,601
Proprietary Funds:		
Water Fund	146,867	-
Sewer Fund	355,954	-
MPA Fund	-	285,604
Non-Major Proprietary Funds	-	191,365
Sub-total	502,821	476,969
Total Interfund Receivable/Payable Non-Current	\$ 562,570	\$ 562,570

All non-current interfund receivables are expected to be repaid within a reasonable amount of time, but not necessarily within the next fiscal year. Material interfund loans include amounts owed by the Trash Fund to the Sewer Fund, as well as amounts owed by the MPA Fund to the General, Water and Sewer Funds. These interfund loans are the culmination of years of cash deficiencies and repayment is expected in future years as excess revenue is generated.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 4. Interfund Receivables, Payables and Transfers – Fund Financial Statements –
(Continued)

Transfers:	Interfund Transfers-In	Interfund Transfer-Out
Governmental Funds:		
General Fund	\$ 2,056,556	\$ 406,131
Housing Assistance Fund	-	-
CDBG Fund	5,017	-
Street Improvement Fund	161,317	-
Non-Major Governmental Funds	254,438	277,235
Sub-total	2,477,328	683,366
Proprietary Funds:		
Water Fund	-	1,270,640
Sewer Fund	-	607,276
MPA Fund	258,954	-
Non-Major Proprietary Funds	-	175,000
Sub-total	258,954	2,052,916
Total Transfers (Fund Financial Statements)	2,736,282	2,736,282
Debt Transfers (Government-Wide Financials)		
PIB 2006 Fund		258,954
MPA Fund	258,954	
Sub-total	258,954	258,954

Transfers to support the operations of other funds are classified as “Other Financing Sources (Uses)” in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-Wide financial statements. The combination of the transfer-out’s in the Water and Sewer Funds represents management’s transfer of 80% of the combined “net income before capital contributions” of those two funds to the General Fund for use in the operation of the general government.

In addition, the PIB 2006 Fund transferred a long-term liability in the amount of \$258,954 to the MPA Fund. Because the PIB 2006 Fund does not report long-term liabilities, the transfer is reported as an assumption of governmental debt in the proprietary fund statement of revenues, expenses, and changes in net assets and reclassified as a transfer in the government-wide statement of activities.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5. Capital Assets

City of Cumberland capital assets activity for the year ended is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 974,496	\$ -	\$ -	\$ 974,496
Construction in progress	2,952,072	1,147,294	(367,878)	3,731,488
Total non-depreciable assets	3,926,568	1,147,294	(367,878)	4,705,984
Depreciable assets:				
Buildings and improvements	13,332,066	374,980	(6,884)	13,700,162
Machinery and equipment	7,317,610	294,317	(334,024)	7,277,903
Infrastructure	20,477,807	66,514	(17,959)	20,526,362
Total depreciable assets	41,127,483	735,811	(358,867)	41,504,427
Accumulated depreciation:				
Buildings and improvements	6,573,193	431,650	(6,884)	6,997,959
Machinery and equipment	4,845,313	568,926	(327,614)	5,086,625
Infrastructure	12,105,830	575,632	(17,959)	12,663,503
Total accumulated depreciation	23,524,336	1,576,208	(352,457)	24,748,087
Depreciable assets, net	17,603,147	(840,397)	(6,410)	16,756,340
Governmental activities capital assets, net	\$ 21,529,715	\$ 306,897	\$ (374,288)	\$ 21,462,324
BUSINESS-TYPE ACTIVITIES:				
Non-depreciable assets:				
Land	\$ 368,371	\$ -	\$ -	\$ 368,371
Land improvements	446,208	-	-	446,208
Construction in progress	8,830,638	3,692,866	(2,184,526)	10,338,978
Total non-depreciable assets	9,645,217	3,692,866	(2,184,526)	11,153,557
Depreciable assets:				
Buildings and improvements	84,080,850	2,501,211	(38,821)	86,543,240
Machinery and equipment	4,840,114	140,291	(454,234)	4,526,171
Total depreciable assets	88,920,964	2,641,502	(493,055)	91,069,411
Accumulated depreciation:				
Buildings and improvements	29,379,466	1,860,335	(26,015)	31,213,786
Machinery and equipment	2,936,831	421,562	(390,945)	2,967,448
Total accumulated depreciation	32,316,297	2,281,897	(416,960)	34,181,234
Depreciable assets, net	56,604,667	359,605	(76,095)	56,888,177
Business-type capital assets, net	\$ 66,249,884	\$ 4,052,471	\$ (2,260,621)	\$ 68,041,734

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 5. Capital Assets – (Continued)

Depreciation expense is charged to functions as follows:

Governmental Activities		Business-Type Activities	
General Government	\$ 198,881	Water	\$ 1,099,276
Public Safety	368,217	Sewer	1,013,697
Public Works	762,467	Municipal Parking	123,012
Recreation	158,491	Property Rental	45,912
Urban Development & Housing	88,152		<u>\$ 2,281,897</u>
	<u>\$ 1,576,208</u>		

Note 6: Short Term Liabilities

On July 11, 2008, the City issued a 90-day tax anticipation note (TAN) in the amount of \$1 million to manage temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The City actually only made a draw of \$750,000 against this tax anticipation note. On December 18, 2008, the City issued a 180-day tax anticipation note in the amount of \$1 million. The proceeds were available as a line of credit and were drawn upon as needed, to pay authorized expenditures of the fiscal year. The tax anticipation notes were repaid on the respective due dates of October 9, 2008 and June 30, 2009.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
TAN	\$ -	\$ 1,750,000	\$ (1,750,000)	\$ -

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7: Long Term Liabilities

Long-term Liability Activity

Long term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance, as Restated	Additions	Reductions/ Reallocation of Debt	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
Underfunded Pension Obligation	\$ 3,232,736	\$ -0-	\$(3,232,736)	\$ -0-	
General Obligation Bonds	5,432,996	15,938,956	(4,114,812)	17,257,140	\$ 622,165
Notes and capital leases	3,817,476	84,872	(477,719)	3,424,629	559,210
Less: deferred amounts on refunds	-	-	-	-	-
Total bonds, notes and leases payable	12,483,208	16,023,828	(7,825,267)	20,681,769	1,181,375
Compensated absences	2,127,761	809,906	(982,619)	1,955,048	815,387
Retainage payable	-	82,159	-	82,159	-
Other post-employment benefit (OPEB) obligation	-	64,403	-	64,403	-
Workers comp payable	1,746,258	670,599	(1,117,274)	1,299,583	337,276
Governmental activities long-term Liabilities	\$16,357,227	\$17,650,895	\$(9,925,160)	\$24,082,962	\$2,334,038
Business-type Activities:					
Bonds and notes payable:					
Underfunded Pension Obligation	\$ 902,945	\$ -0-	\$(902,945)	\$ -0-	
General Obligation Bonds	24,946,951	3,293,280	(4,211,008)	24,029,223	\$2,493,555
Notes and capital leases payable	3,322,252	-	(337,407)	2,984,845	354,025
Less: deferred amounts on refunds	(198,420)	-	26,449	(171,971)	-
Total bonds and notes payable	28,973,728	3,293,280	(5,424,911)	26,842,097	2,847,580
Compensated absences	703,668	963,976	(919,557)	748,087	244,455
Retainage payable	-	136,243	-	136,243	-
Other post-employment benefit (OPEB) obligation	-	21,580	-	21,580	-
Workers comp payable	271,695	66,323	(114,478)	223,540	58,014
Business-type activities long-term liabilities	\$29,949,091	\$ 4,481,402	\$(6,458,946)	\$27,971,547	\$3,150,049

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7: Long Term Liabilities – (Continued)

Long-Term debt payable at June 30, 2009 is comprised of the following General Obligation Bonds:

<i>\$755,795, 1991 Sewer Fund bonds due in annual installments of \$42,465 to \$60,557 through February, 2011; interest at 3.594%</i>	\$ 84,919
<i>\$376,255, 1991 Sewer Fund bonds due in annual installments of \$25,747 to \$27,458 through February, 2012; interest at 3.375%</i>	73,509
<i>\$400,000 1999 Water Fund bond due in annual installments of \$20,173 through February, 2029; interest at 2.39%</i>	302,927
<i>\$5,000,000, 1999 Sewer Fund bond authorized due in annual installments of \$332,120 through February, 2021; interest at 2.39%</i>	3,277,734
<i>\$2,231,000, 1999 Public Improvement bond due in semi-annual installments of \$108,592 through September, 2014; interest at 5.28%</i>	1,025,095
<i>\$6,000,000, 2001 Water Fund bond due in semi-annual installments of \$5,124 and \$99,934 through February, 2032; interest at 1.50%, \$1,200,000 to be forgiven March, 2011</i>	5,063,622
<i>\$1,400,000, 2002 Merchant's Alley Public Improvement Bonds due in installments of \$26,800 to \$136,877 through August, 2016; interest at 4.030%</i>	861,539
<i>\$586,200, 2004 Community Development Administration Infrastructure Financing bond due in annual installments of \$83,286 to \$85,059 through May, 2012; interest at 2.96%</i>	233,799
<i>\$220,007, 2005 Water Quality State Revolving Fund Loan due in annual installments of \$12,887 through February, 2024; interest at 0.4%</i>	183,767
<i>\$2,485,000, 2005 Drinking Water State Revolving Fund Loan due in annual installments of \$72,776 through February, 2034; interest at 0.4%, \$497,000 to be forgiven November, 2014.</i>	2,225,107
<i>\$480,000, 2005 Tax Incremental Financing bond due in semi-annual installments of \$16,400 to \$28,600 through May, 2020; interest at 5.0%</i>	352,000
<i>\$7,900,442, 2005 General Obligation bond due in semi-annual installments of \$7,837 to \$873,773 through May, 2021; interest at 3.97%</i>	5,376,299
<i>\$4,500,000, 2006 Public Improvement Bond due in semi-annual installments of \$145,000 to \$330,000 through September, 2026 at 4.36%</i>	4,205,000

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7: Long Term Liabilities – (Continued)

<i>\$6,219,000, 2007 Public Improvement Bond due in semi-annual installments of \$416,000 to \$687,000 through April, 2012 at 3.63%</i>	3,976,000
<i>\$341,035, 2008 Water Quality State Revolving Fund Loan due in semi-annual installments of \$19,930 to \$21,248 through February, 2028 at 1.10%</i>	310,046
<i>\$4,665,000, 2009 GOB Pension Contribution Bonds due in annual installments of \$310,542 to \$570,444 through June, 2036; interest at 5.400% to 6.625%</i>	4,665,000
<i>\$9,070,000, 2008 GOB (Street Imp Fund) due in annual installments of \$375,000 to \$750,000 through September, 2028; interest at 4.0% to 5.0%</i>	9,070,000
	<u>\$41,286,363</u>

In May 2008, the City authorized \$341,035 in Water Quality Bonds financed through the Maryland Water Quality Financing Administration. The amount advanced under this bond was \$310,044 at June 30, 2009.

In April 2009, the City authorized \$2,100,000 in general obligation Drinking Water Bonds for the Ridgedale Reservoir Storage Tank Replacement project. These bonds are also financed by the Maryland Water Quality Financing Administration and the initial draw down occurred in July 2009 with terms of zero percent interest paid annually over nineteen years. The amount advanced under the bond was \$-0- at June 30, 2009.

Notes and capital leases payable

<i>\$336,600 (Face amount and cost of asset), copier equipment capital lease due in monthly installments of \$6,120 through April 2011; interest at 0%</i>	212,160
<i>\$323,222 (Face amount and cost of asset), Silverado and Backhoe lease due in annual installments of \$69,087 through July 2009; interest at 3.44%</i>	66,789
<i>\$651,501 (Face amount and cost of asset), 2005 equipment lease due in quarterly installments of \$35,414 through July 2010; interest at 3.59%</i>	172,399
<i>\$323,969 (Face amount and cost of asset), VAC and Dump Trucks lease due in quarterly installments of \$17,768 through December 2010; interest at 3.98%</i>	102,988
<i>\$130,194 (Face amount and cost of asset), trucks and SUV lease due in quarterly installments of \$7,194 through February 2011; interest at 4.30%</i>	48,253
<i>\$456,000 (Face amount and cost of asset), 2007 Equipment lease due in quarterly installments of \$25,244 through January 2012; interest at 3.96%</i>	261,872

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7: Long Term Liabilities – (Continued)

\$3,749,401 (Face amount and cost of asset/expense), 2007
lease due in semi-annual installments of \$170,856 through
May 2022; interest at 4.097% 3,417,623

\$804,500 (Face amount and cost of asset), equipment lease due
in semi-annual installments of \$44,826 through April 2012;
interest at 3.719% 663,566

\$1,400,000 (Face amount and cost of expense), Section 108 loan
due in semi-annual installments of \$40,446 to \$116,538 through
August 2028; interest at 2.62%-5.42% 1,400,000

\$84,872 (Face amount and cost of asset), IBM lease due in
monthly installments of \$2,468 through September 2011;
interest at 2.99% 63,824

\$6,409,474

Refunding of Bonds

On May 21, 2009, the City issued \$4,665,000 in general obligation bonds with interest rates ranging from 5.4% to 6.625% to currently refund \$4,157,757 of outstanding pension retirement debt. The City reduced its aggregate debt service payments by \$266,912 over the next twenty-seven years, and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$199,994.

Debt Maturity

Debt service requirements at June 30, 2009 were as follows:

Governmental Funds						
Year	Bonds		Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	622,165	849,804	559,210	128,601	1,181,375	978,405
2011	643,147	816,907	432,431	111,687	1,075,578	928,594
2012	663,531	789,656	364,946	99,375	1,028,477	889,031
2013	742,517	756,579	264,672	88,721	1,007,189	845,300
2014	767,712	723,819	149,704	80,060	917,416	803,879
2015-2019	3,274,739	3,171,544	710,977	307,544	3,985,716	3,479,088
2020-2024	3,604,451	2,409,382	567,689	159,810	4,172,140	2,569,192
2025-2029	4,592,718	1,415,342	375,000	51,713	4,967,718	1,467,055
2030-2034	1,559,000	585,560	-	-	1,559,000	585,560
2035-2039	787,160	79,787	-	-	787,160	79,787
	<u>\$17,257,140</u>	<u>\$11,598,380</u>	<u>\$ 3,424,629</u>	<u>\$ 1,027,511</u>	<u>\$20,681,769</u>	<u>\$12,625,891</u>

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 7: Long Term Liabilities – (Continued)

Year	Proprietary Funds					
	Bonds		Notes & Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	2,493,555	673,761	354,025	116,594	2,847,580	790,355
2011	3,769,100	586,654	301,738	102,644	4,070,838	689,298
2012	2,608,567	498,516	246,210	91,873	2,854,777	590,389
2013	952,332	419,061	220,660	82,693	1,172,992	501,754
2014	974,747	391,312	174,940	74,510	1,149,687	465,822
2015-2019	5,594,752	1,530,620	989,493	257,754	6,584,245	1,788,374
2020-2024	3,741,692	811,170	697,779	50,853	4,439,471	862,023
2025-2029	2,289,023	417,461	-	-	2,289,023	417,461
2030-2034	1,382,611	187,514	-	-	1,382,611	187,514
2035-2039	222,844	22,570	-	-	222,844	22,570
	<u>\$ 24,029,223</u>	<u>\$5,538,639</u>	<u>\$2,984,845</u>	<u>\$ 776,921</u>	<u>\$27,014,068</u>	<u>\$6,315,560</u>

Note 8. Deferred Revenue

The governmental fund balance sheet reports \$1,432,433, \$1,040,000, and \$498,818 of deferred revenues in the General, CDBG, and Non-Major Governmental Funds, respectively. Included in those deferred revenues are \$344,674 and \$61,266 revenues deferred solely because they are not yet considered available as defined by GASB 33 and as discussed in Note 1(E). The remainder of the deferred revenue represents deferred property tax revenues in the amount of \$1,087,758 and \$7,924 and deferred rehabilitation loans in the amount of \$429,627. Additionally, CDBG has a deferred note receivable for a Section 108 loan in the amount of \$1,040,000.

Note 9. Compensated Absences

Statement 16 of the Governmental Accounting Standards Board (GASB) - Accounting for Compensated Absences requires employers to accrue a liability for certain future vacation, sick, and other leave benefits provided the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- b. The obligation relates to rights that vest.
- c. Payment of the compensation is probable and not contingent on a specific event outside the control of the City or the employee.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 9. Compensated Absences – (Continued)

- d. The amount can be reasonably estimated.

City employees earn vacation time depending upon their length of service to the City and are eligible to use this vacation time in the year subsequent to the year it is earned.

City employees earn fifteen sick leave days per year with no maximum accumulation ceiling. With the exception of the City Police Department, it is the policy of the City to pay 86 days of sick leave days accumulated upon retirement of an employee. Effective July 1, 2008, employees of the City Police Department are not eligible for the sick leave payout option of 86 days.

All vacation pay and unpaid sick leave to which employees are entitled have been accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements). The estimate of the accrued sick leave and vacation liabilities reported in the governmental activities section of the government-wide financial statements is \$1,955,048. Accrued sick leave and vacation liabilities for the City's proprietary funds in the amount of \$748,087 have been recorded in both the fund financial statements and the government-wide financial statements.

Liabilities for compensated absences are liquidated using resources from the fund in which the employee terminating service previously charged his or her salary and benefit costs. Governmental funds utilize the General Fund to pay these benefit costs, while proprietary obligations are paid from the Water, Sewer and MPA Funds.

Note 10. Classification of Net Assets – Government-wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested In Capital Assets Net Of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The City's policy is generally to use restricted net assets first, as appropriate opportunities arise.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

*Note 10. Classification of Net Assets – Government-wide Financial Statements –
(Continued)*

Unrestricted Net Assets – this category represents the net assets of the City, which are not restricted for any project or other purpose.

Note 11. Fund Balance Reserves and Designation – Fund Financial Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are reestablished by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2009, reservations of fund balance are described below:

The “Reserved for restrictions” classification in the fund equity section of the governmental fund balance sheet reflects assets that have been legally restricted for specified purposes and are not available for other uses.

The “Reserved for long term assets” classification in the fund equity section of the governmental fund balance sheet is comprised of the following as it represents assets that are not “available spendable resources”:

	General Fund	Housing Assistance Fund	CDGB Fund	Street Improvement Fund	Non-major Funds
Housing loans receivable	\$ -	\$ -	\$ -	\$ -	\$ 339,152
Loans receivable, net of deferred portion	-	-	-	-	77,779
Notes receivable	-	-	-	-	4,166
Interfund Receivables, non-current	59,749	-	-	-	-
Total	\$59,749	\$ -	\$ -	\$ -	\$421,097

Designations of equity, if any, are used to show the amounts within unreserved equity, which are intended to be used for specific purposes, but are not legally restricted.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 12. Prior Period Adjustments

Management has determined that pension obligation debt owed to the Maryland State Retirement Systems and the State of Maryland Law Enforcement Pension System at June 30, 2008 should be reported as a liability in the proprietary funds and in the governmental funds on the Government-Wide Statement of Net Assets. The governmental funds of the fund financial statements were not affected by this adjustment. Accordingly, the following net asset balances have been restated as of June 30, 2008:

	As Originally Reported	As Restated	Prior Period Adjustment
Water Fund	\$ 15,515,350	\$ 15,100,261	\$ (415,089)
Sewer Fund	22,651,670	22,187,616	(464,054)
MPA Fund	1,601,167	1,577,365	(23,802)
Business-type Activities	40,453,469	39,550,524	(902,945)
Governmental Activities	\$ 13,209,792	\$ 9,977,056	\$ (3,232,736)

The City refunded these debt obligations on May 21, 2009 as described in Note 7.

Note 13. Property Taxes

Taxes are levied July 1 of each year. State law mandates owner-occupied residential property owners may elect to pay real property taxes under a semi-annual payment schedule. The first installment is due by September 30, and the second installment is due December 31, of the tax year without interest. A lien for property taxes attaches to the property at the time of billing, but the enforcement of the lien does not occur until the property taxes have been unpaid for period of three years.

General Fund

As permitted by the City Charter, as amended, the City levied taxes in fiscal year 2009 at a rate of \$0.9654 per \$100 of assessed valuation on real property which is assessed at full market value. The present adjusted assessed valuation of real property is \$741 million.

The City levied taxes at a rate of \$2.648 per \$100 of assessed valuation on personal property which is assessed at depreciated value.

In fiscal year 2009, the City increased tax rates by \$0.0175 for real property and \$0.06 for personal property in order to partially fund the principal and interest payments on the 2008 general obligation street improvement bonds.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 13. Property Taxes – (Continued)

Special Taxing District

The City is permitted by City Charter Amendment Resolution number 81 dated March 10, 1981 to levy taxes on certain real property located within the two zones of the special taxing district to provide funds for the payment of the costs of operation of a pedestrian mall within the central business district including debt service payments on the portion of general obligation bonds payable used to finance the construction of the mall.

The two zones within the special taxing districts are identified as the Primary and Secondary zones.

Primary Zone

The tax rate in the primary zone for the year ended June 30, 2009 was \$0.456 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$25.0 million.

Secondary Zone

The tax rate in the secondary zone for the year ended June 30, 2009 was \$0.268 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$27 million.

Tax Incremental Financing District

The City is permitted by Resolution dated September 21, 2004 to levy taxes on certain real property located within a special taxing district known as the “Shades Lane Development District” to provide funds for the payment of debt service on special obligation bonds issued to finance capital improvements within the district. The tax rate for the property within this district was \$2.955 per \$100 of assessed valuation. Real property is assessed at full market value. The present adjusted assessed valuation is \$1,305,850.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 14. Pending Claims and Litigation

On or about October 9, 2007, legal proceedings were instituted against the City by ten (10) city firefighters alleging that the City violated provisions of the Fair Labor Standards Act (FLSA), the Maryland Wage Payment Collection Act (MWPCA), and the Maryland Wage and Hour Law (MWHL) relative to the payment of overtime hours paid. The firefighters sought back pay for overtime that allegedly was not paid, liquidated damages and attorney fees under the FLSA and the MWHL, and treble damages and attorney fees under the MWCPA. Both the grievance and federal case that were filed have been settled subsequent to year end for an amount that does not materially affect the financial statements at June 30, 2009.

There are several other pending lawsuits in which the City is involved. Management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City at June 30, 2009.

Note 15. Contingent Liabilities

The City participates in a number of federal and state assisted grant programs, principal of which are the Community Development Block Grant and Section Eight housing programs. These programs are subject to program compliance audits by the grantors. Accordingly, the City's compliance with applicable grant requirements may not be established until some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Note 16. Construction Commitments

The City has active construction projects as of June 30, 2009. The projects include widening and construction of existing streets, and the construction of additional wastewater treatment facilities. At year-end the government's commitments with contractors are as follows:

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 17. Other Commitments

<u>Project</u>	<u>Contract Amount</u>	<u>Change Orders</u>	<u>Remaining Commitment</u>	<u>Fund</u>
Evitts Creek Combined Sewer Overflow (Engineering)	\$ 376,967	\$ 343,120	\$ 40,626	Sewer
Replacement of Ridgedale Reservoir (Engineering)	76,655	-	24,609	Water
Replacement of Ridgedale Reservoir (Construction)	3,470,197	35,732	1,286,419	Water
Rolling Mill Access Phase 2&3	1,950,388	142,534	115,014	General/Water/ CDBG/ARC
ENR (Engineering Contract WWTP	2,018,074	127,898	1,004,797	Sewer
Total	<u>\$ 7,892,281</u>	<u>\$ 649,284</u>	<u>\$ 2,471,465</u>	

The State of Maryland had previously filed suit against the City of Cumberland and neighboring jurisdictions which use the Cumberland Wastewater Treatment Plant seeking a court-enforceable timetable for correcting the City's Combined Sewer Overflow problem. On November 6, 2001, the City executed a Consent Decree and Judgment in the litigation brought by the Maryland Department of the Environment. The Consent Decree and Judgment requires the City to correct the Combined Sewer Overflow problems in phases over 20 years after the acceptance of all of the Long-Term Control Plans (LTCP) from LaVale, Allegany County, and the City of Frostburg. Those plans have been now accepted by MDE and the City was required to revise its LTCP. The revised plan, submitted to MDE on February 3, 2006, added the Evitts Creek Pump Station and Conveyance to the Phase 1A (Mill Race sewer relocation and screens) and Phase 1B (parallel pipelines from Mill Race to a storage facility). To date Phase 1A is complete and part of Phase 1B was completed in FY '06. The LTCP includes an estimate of future project costs. The estimated cost is \$56,490,000, and the work is required to be completed by 2026. The work is expected to be funded through EPA Grants, MDE Grants, and MDE SRF Loans. Phase 1 work has been delayed because of delays associated with funding of the rewatering of the C&O Canal. In FY'07, it was

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 17. Other Commitments – (Continued)

decided to transfer all remaining EPA and MDE Grant Funds from the Phase 1 project to the Evitts Creek Pump CSO Project which was completed in FY'09. The forces main and gravity sewer portions (Phase II) of the Evitts Creek CSO Project is expected to be begin in FY'10. The City has committed to provide Enhanced Nutrient Removal (ENR) at the City's Wastewater Treatment Plan. Engineering was completed in FY'09 and construction is to begin in FY'10. The estimated cost of this major project is \$38,000,000. 73% of the project cost will be funded through State of Maryland's ENR Program; the local share of 27% will be funded through State Revolving Loan Funds (SRF). In July 2009 (FY'10), the City was awarded federal stimulus money of \$6 million from the American Recovery and Reinvestment Act (ARRA) which will be administered by MDE. This stimulus money will be used to fund the 27% of the local share of the ENR project and will be a forgivable loan.

Note 18. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City retains no risks for claims up to the maximum amount of the policy except for deductible amounts. The City did not have losses in excess of its insurance coverage for the current and three prior fiscal years.

Worker's Compensation

The City's insurance carrier provides, for a premium, a high-deductible worker's compensation insurance policy to the City under a Prefunded Deductible Program. The City's per claim deductible is \$350,000 with a deductible aggregate ranging from \$1,750,000 to \$1,998,000 depending on the policy year. As of June 30, 2009, the unspent, prefunded amount paid to the insurance carrier has been included in the financial statements as a prepaid expense.

The City estimated the claims liability reported in the various funds at June 30, 2009. It is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported.

Because actual claims liabilities depend on such complex factors as inflation, change in legal doctrines and damage awards, the process used in computing claims liabilities does not necessary result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 18. Risk Management – (Continued)

The workers' compensation claims liability is presented at its net present value of \$1,523,123 (a non-discounted amount of \$1,732,046) and is discounted at a 4.0% annual rate. The following represents the change in approximate aggregate liabilities for the City from July 1, 2007 to June 30, 2009:

Fiscal Year Ended June 30,	Claims Payable July 1,	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2007	\$ -0-	\$ 877,660	\$ 144,888	\$ 732,772
2008	732,772	1,802,156	516,975	2,017,953
2009	2,017,953	9,101	503,931	1,523,123

Note 19. Pension and Retirement Systems

Defined Benefit Plans

Plan Description

The employees of the City are provided retirement benefits through the Maryland State Retirement Systems (MSRS) which administer the Employees' Retirement System (established October 1, 1941 and closed for new entrants on December 31, 1979) and the Employees' Pension System (established January 1, 1980), under the provisions of State Personnel and Pension Article 73B of the Annotated Code of Maryland.

The City's employees, other than uniformed police officers, are members of the Employees Pension System. The City elected to join the Alternate Contributory Pension Selection (ACPS) which was established as of July 1, 2006. Beginning in fiscal year 2002, uniformed police officers were covered under the Local Fire and Police System (LFPS). Effective July 1, 2008, the uniformed police officers transferred from the Local Fire and Police System (LFPS) to the Law Enforcement Officers' Pension System (LEOPS).

Both of these plans are cost-sharing multiple-employer defined benefit plans, providing retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. Responsibility for the organization and administration of the Systems is vested in the Board of Trustees of the Maryland State Retirement and Pension Systems. The MSRS, which issues its own financial report, is a component unit of the State of Maryland's financial reporting entity. Detailed information of the plans and copies of its financial report may be obtained from:

State Retirement Agency of Maryland
120 E. Baltimore Street
Baltimore, Maryland 21202

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 19. Pension and Retirement Systems – (Continued)

Funding Policy

Employees covered under the ACPS were required to contribute 5% of their earnable compensation during FY 2009. The City is required to contribute at an actuarially determined rate. The current rate is 3.84% of covered payroll. The City also is required to pay an ACPS surcharge at a rate of 7.44% and a Retirement System Surcharge of 5% of covered payroll. The contribution requirements of plan members and the City of Cumberland are established and may be amended by the MSRS Board of Trustees. The City's base contributions for the years ended June 30, 2009, 2008, and 2007 were \$333,979, \$435,236, and \$587,557 respectively, equal to the required employer contributions for each year. The City's ACPS surcharge for the year ended June 30, 2009 was \$577,038, equal to the required employer contribution for the year.

Employees covered under the LEOPS contribute 5% of their earnable base salary in excess of the social security wage base. The City is required to contribute an actuarially determined rate. The current contribution rate for the City is 30.53% of covered payroll for the pension system and 2.95% for a social security benefit surcharge. The City of Cumberland's contribution to LEOPS for the year ended June 30, 2009 totaled \$802,397. The City's contributions for LFPS for the years ended June 30, 2008 and 2007 were \$522,506, and \$473,393, respectively, which were equal to the required employer contributions for each year.

The Maryland State Retirement Systems' actuaries changed their method of allocation between participating local governments in 1997. This change in method resulted in the City being assigned an Underfunded Liability even though the City has always paid the required contribution billed by the State. The City had initially chosen to make payment in 40 annual installments through December 2035. The deficit payments for 2009, 2008 and 2007 were \$155,913, \$148,489, and \$141,418, respectively, equal to the required employer contributions for each year. The deficit balance as of July 1, 2008 is \$3,031,686. The City also had a Special Accrued Liability related to the transfer from the LFPS to the LEOPS for the police officers. The special accrued liability had a balance at June 30, 2008 of \$1,103,992 and was scheduled to be paid off over the next 25 years with annual payments of \$97,513, the first of which was made on December 30, 2008.

On May 21, 2009, the City issued \$4,665,000 in general obligation bonds with interest rates ranging from 5.4% to 6.625% to currently refund \$4,157,757 of outstanding pension retirement debt for the Underfunded Liability with the Maryland State Retirement System and Special Accrued Liability with the Law Enforcement Officers Pension System.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 19. Pension and Retirement Systems – (Continued)

Deferred Compensation Plan/Defined Contribution Plan

The City allows employees to defer portions of their compensation into a trust which is a separate entity self trusted by the City under Internal Revenue Code Section 457(b) Deferred Compensation Plan. The trust owns all plan assets for the exclusive benefit of the participants and their beneficiaries. Employees deferred \$246,909 into the deferred compensation plan during the current year.

The City had also established a defined contribution plan under the Internal Revenue Code Section 401(a) entitled “City of Cumberland 401(a) Match Plan,” however the City’s obligation to match the first \$300 the City management employees deferred into the deferred compensation plan described in the preceding paragraph, ended June 30, 2007 but the plan also receives other employer contributions. The City contributed \$20,490 in accordance with employee contract agreements into the deferred compensation plan for the current year. The City also contributed \$81,995 into this deferred compensation plan for employees who elected to opt-out of the City health insurance plan.

The City Administrator, City Solicitor and City Comptroller are trustees of both plans and administer both plans. Plan provisions and contribution requirements are established by and may be amended by the City.

Note 20. Post-Employment Health Care Benefits

Plan Description. The City of Cumberland sponsors a single-employer post-retirement medical plan administered by the City of Cumberland. The Plan provides medical, prescription, and death benefits to eligible retirees and their spouses. The authority under which benefit provisions are established or may be amended rests with the Mayor & City Council of Cumberland, Maryland. The Plan does not issue a publicly available report.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the Mayor & City Council of Cumberland, Maryland. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are offered the option to maintain health insurance after they retire (including subsidized beneficial coverage), until they reach age 65. Retirees must pay 50% of the COBRA equivalent cost of this benefit for their coverage and 100% of the COBRA equivalent cost of the beneficial coverage. After 65, the City pays for the retirees “standard” Medicare Supplement (excluding drugs) and the retiree must pay for any additional benefits (i.e. Major medical and/or beneficial coverage).

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 20. Post-Employment Health Care Benefits – (Continued)

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-retirement (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 8.9 percent of annual covered payroll. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation.

Components of Net OPEB Obligation

Annual Required Contribution	\$549,149
Interest on Net OPEB Obligation	\$0
Adjustment to Annual Required Contribution	<u>\$0</u>
Annual OPEB Cost (Expense)	\$549,149
Contributions Made	<u>(\$463,166)</u>
Increase in Net Obligation	<u><u>\$85,983</u></u>
 Net OPEB Obligation (BOY)	 \$0
Net OPEB Obligation (EOY)	\$85,983

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008-2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$549,149	84.3%	\$85,983

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,874,830 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$7,874,830. The covered payroll (annual payroll of active employees covered by the plan) was \$6,204,000 and the ratio of the UAAL to the covered payroll was 127%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 20. Post-Employment Health Care Benefits – (Continued)

are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan assets at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after three years. The actuarial value of assets was determined using a standard balanced portfolio expectation for retirement plan asset returns. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2008 was 30 years. No OPEB benefits are based on future salary levels.

The City has elected to apply GASB Statement No. 45 prospectively, and as a result the liability at transition was \$0.

As described in Note 12, on July 1, 2009, the City terminated the post retirement healthcare benefit for most retirees, which will result in a significant reduction in future unfunded actuarial accrued liability amounts.

CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 21. Subsequent Events

On July 1, 2009, the City issued \$1.5 million of tax anticipation notes to manage the temporary cash flow deficits that occur when the timing of required expenditures does not coincide with the timing of the collection of taxes and other revenues. The notes were issued in anticipation of collection of property taxes to be received during the 2009-2010 fiscal year and was repaid with property tax revenue and other income (with the exception of water department income) by September 30, 2009. On December 29, 2009, the City issued a 180-day tax anticipation note in the amount of \$1.5 million. The proceeds were available as a line of credit and were drawn upon, as needed, to pay authorized expenditures of the next fiscal year.

On October 14, 2009 the City settled on the sale of an asset known as the Naval Reserve Property (parcel of land together with improvements thereon), located at 1 James Day Drive for a sales price of \$1,350,000.

On April 29, 2009, the City issued \$2,100,000 in general obligation Drinking Water Bonds for the Ridgedale Reservoir Storage Tank Replacement project. These bonds are financed by the Maryland Water Quality Financing Administration and the initial draw down occurred on July 22, 2009 in the amount of \$407,647. The bonds had an interest rate 0.0% and mature in 2029, with annual principal payments in the amount of \$110,473.68 due each February 1st, beginning February 1, 2011.

On October 16, 2009, the City issued Water Quality Bonds Series 2009A in the amount of \$3,657,700 and Water Quality Bonds Series 2009B in the amount of \$6,000,000 (which were sold to the State of Maryland) for the ENR project. The Series 2009A bonds had an interest rate of 0.0% and mature in 2030, with annual principal payments in the amount of \$192,457.89 due each February 1st, beginning In February 1, 2012. The Series 2009B bonds are forgivable under the terms of a loan agreement signed on October 16, 2009.

On December 22, 2009, the Mayor and City Council authorized an Assignment of a Memorandum of Understanding between the Mayor and City Council of Cumberland and the Allegany County Human Resources Development Commission (HRDC) for the administration of the federally funded Section 8 Housing Choice Voucher Program in the City of Cumberland. The effective date for this transfer was January 1, 2010 pending State approval.

On July 1, 2009, the benefit coverage for retirees age 65 or older (as noted above in Note 20) ceased completely. The termination of the post retirement benefit for employees under 65 was eliminated for most retirees, based on the termination date of the then existing union contract. For members of the IAFF Union, the benefits will cease as of July 1, 2010. For members of AFSCME, the benefits will cease as

***CITY OF CUMBERLAND, MARYLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009***

Note 21. Subsequent Events - (Continued)

of July 1, 2011. The only class of retirees that would continue to receive this post retirement benefit are those employees that elected to participate in this benefit as a part of the "FY 2003 Retirement Incentive Program."

Required Supplementary Information

CITY OF CUMBERLAND, MARYLAND
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with
Revenues:	Original	Final		Final Budget
Taxes	\$ 10,070,091	\$ 10,070,091	\$ 9,560,479	\$ (509,612)
Licenses and permits	263,885	263,885	236,101	(27,784)
Intergovernmental	3,852,324	3,852,324	3,590,705	(261,619)
Charges for services	1,630,415	1,630,415	1,579,796	(50,619)
Fines and forfeitures	2,500	2,500	500	(2,000)
Interest	75,000	75,000	6,299	(68,701)
Miscellaneous	890,247	890,247	730,685	(159,562)
Total Revenues	16,784,462	16,784,462	15,704,565	(1,079,897)
Expenditures:				
Current:				
General government	1,814,039	1,875,000	1,872,701	2,299
Public safety	10,551,315	10,675,225	10,223,765	451,460
Public works	3,070,413	2,982,181	2,486,053	496,128
Recreation	1,030,577	986,445	977,297	9,148
Community development and housing	606,107	701,426	595,564	105,862
Debt Service:				
Principal	655,448	1,100,000	1,094,334	5,666
Interest	691,783	515,000	514,034	966
Bond issue costs	-	225,000	222,271	2,729
Total Expenditures	18,419,682	19,060,277	17,986,019	1,074,258
 Revenues in Excess of (Less Than) Expenditures	 (1,635,220)	 (2,275,815)	 (2,281,454)	 (5,639)
Other Financing Sources (Uses):				
Transfers-in	1,139,427	2,100,000	2,056,556	(43,444)
Transfers-out	(180,287)	(410,000)	(406,131)	3,869
Issuance of debt	-	85,000	84,872	(128)
Refunding bond proceeds	-	3,665,000	3,636,221	(28,779)
Payment to refund bonds	-	(3,150,000)	(3,148,677)	1,323
Total Other Financing Sources	959,140	2,290,000	2,222,841	(67,159)
Net Change In Fund Balances	\$ (676,080)	\$ 14,185	(58,613)	\$ (72,798)
Fund balance, beginning			731,262	
Fund balance, ending			<u>\$ 672,649</u>	

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE
JUNE 30, 2009

- (1) An annual budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Encumbrances and appropriations generally lapse at year-end and are treated as expenditures in the year the liability is incurred.
- (2) Annual budgets are not adopted for any other governmental fund as the City is not legally required to adopt such budgets.

CITY OF CUMBERLAND, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION

OTHER POST-EMPLOYMENT BENEFIT PLAN CONTRIBUTIONS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	\$0	\$7,874,830	0%	\$7,874,830	\$6,204,000	127.0%

The City has elected to apply GASB Statement No. 45 prospectively and as a result the liability at transition was \$0.

City of Cumberland, Maryland

COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS

Non-major Governmental Funds

Tax Increment Financing District

This fund represents Special Obligation Bond funds that were used to develop Shades Lane. Tax increment revenues used to pay bonds.

Rehabilitation Loan Fund

Loan program provided to property owners to make improvements to their residents.

Special Taxing District

Accounts for the special tax on property owners in the downtown area to pay for the development of the Downtown Mall.

Community Legacy

Community Legacy is a state grant that provides funds to aid local governments and non profits in meeting a variety of community development needs.

Police Grants

The City receives federal and state grants to be used by the Police Department which are accounted for in this fund.

Lender's Loan

Fund tracks the City's portion of a small business loan program that provides funds through the state, City, and local banks.

Program Open Space

Program Open Space funds are provided by the state for outdoor park projects and tracked through this fund.

Community Parks

Grant funds provided through the Maryland Community Parks and Playgrounds Program.

Economic Development

Expenditures are designed to specifically support economic development activities and initiatives.

PIB06

Public Improvement Bond used to fund security upgrades throughout City buildings, infrastructure and building capital improvement projects, and a new fire engine.

Johnson Controls

This fund was established for a lease agreement with M&T Bank for the payment of Johnson Controls Energy Performance Contract. The funds were held in escrow until payment of completed work which was invoiced by Johnson Controls.

Misc Funds

Includes revenues collected and expended for specific purposes, for example fireworks donations and Let's Beautify Cumberland, where the City desires to track revenue and expenses separately.

Non-major Proprietary Funds

Trash

Revenues and expenses for the City's trash collection.

Property Rental

Rental revenues and expenses related to rental of City owned properties – Naval Reservoir and HRDC building.

CITY OF CUMBERLAND, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

	Tax Incremental Financing District	Rehabilitation Loan Fund	Special Taxing District	Community Legacy	Police Grants	Lender's Loan	Program Open Space	Community Parks	Economic Dev	PIB 2008	Johnson Controls	Misc Funds	Total Non-Major Governmental Funds
ASSETS													
Cash and Cash Equivalents	\$ 10,828	\$ -	\$ 6,199	\$ 38,193	\$ 7	\$ 20,801	\$ 2,259	\$ 24,176	\$ 3,992	\$ -	\$ 3,893	\$ 43,787	\$ 154,235
Investments			116,708							124,217	13,506		254,431
Accounts receivable			4,591									13,972	13,972
Prepaid Expenses		339,152							500			6,250	11,341
Housing loans receivable			8,635										339,152
Taxes receivable		4,166											8,635
Notes receivable				503,797		3,609							4,166
Loans receivable				48,087	62,390			310	23,258				507,406
Due from other governments												3,551	137,596
Restricted Investment													7,879
Due from other funds						84,190						117,170	241,360
Total Assets	\$ 10,828	\$ 343,318	\$ 184,012	\$ 590,077	\$ 62,397	\$ 108,700	\$ 2,259	\$ 24,486	\$ 27,750	\$ 124,217	\$ 17,399	\$ 184,730	\$ 1,680,173
LIABILITIES AND FUND EQUITY													
LIABILITIES:													
Accounts payable	\$ -	\$ -	\$ 11,469	\$ 60,023	\$ 23,478	\$ -	\$ -	\$ -	\$ 48,010	\$ -	\$ -	\$ 34,055	\$ 177,035
Accrued wages			3,669		2,515				5,676			175	12,035
Interfund payables	45,149				84,190		12,632					34,820	176,591
Deferred revenues			7,924	437,127	51,066							2,701	498,818
Loans payable						2,343							2,343
Total Liabilities	\$ 45,149	\$ -	\$ 23,062	\$ 497,150	\$ 161,249	\$ 2,343	\$ 12,632	\$ -	\$ 53,686	\$ -	\$ -	\$ 71,551	\$ 868,822
FUND BALANCES:													
Fund balances:													
Reserved for prepaids			4,591						500			6,250	11,341
Reserved for encumbrances			1,900						3,434			7,450	12,784
Reserved for restrictions			7,879										7,879
Reserved for long-term assets		343,318		74,170		3,609							421,097
Unreserved - Capital Projects										124,217	17,399	(4,679)	136,937
Unreserved - Special Revenue Funds	(34,321)		146,580	18,757	(98,852)	102,748	(10,373)	24,486	(29,870)			104,158	223,313
Total Fund Balances	(34,321)	\$ 343,318	\$ 160,950	\$ 92,927	\$ (98,852)	\$ 106,357	\$ (10,373)	\$ 24,486	\$ (25,936)	\$ 124,217	\$ 17,399	\$ 113,179	\$ 813,351
Total Liabilities and Fund Balances	\$ 10,828	\$ 343,318	\$ 184,012	\$ 590,077	\$ 62,397	\$ 108,700	\$ 2,259	\$ 24,486	\$ 27,750	\$ 124,217	\$ 17,399	\$ 184,730	\$ 1,680,173

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Tax Incremental Financing District	Rehabilitation Loan Fund	Special Taxing District	Community Legacy	Police Grants	Lender's Loan	Program Open Space	Community Parks	Economic Dev	PIB 2006	Johnson Controls	Misc Funds	Total Non-Major Governmental Funds
Revenues:													
Taxes	\$ 47,116	\$ -	\$ 192,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,289
Charges for services			12,500	202,087	372,138							26,040	26,040
Intergovernmental revenues			2,905	1,580	13	181			72,815			559,033	1,475,674
Interest	-	106	36,398	-	133					5,865	49	-	10,699
Miscellaneous												25,241	61,772
Total Revenues	47,116	106	243,976	203,647	372,284	181	135,654	121,467	72,815	5,865	49	610,314	1,813,474
Expenditures:													
Current:													
General government			239,496	7,500	446,389					17,317		69,683	333,966
Public safety												-	446,389
Public works												-	-
Recreation							22,308					10,000	32,308
Community development and housing				203,878				121,465	258,111	230,006	-	56,264	530,860
Capital Outlay		12,607										500,715	852,186
Debt Service:													
Principal	32,000		19,464						10,435			-	61,899
Interest	18,800		5,212									-	24,012
Total Expenditures	50,800	12,607	264,172	211,378	446,389	-	22,308	121,465	268,546	247,323	-	638,662	2,281,650
Total Revenues in Excess of (Less Than) Expenditures	(3,684)	(12,501)	(20,196)	(7,731)	(74,105)	181	113,346	2	(195,731)	(241,458)	49	(26,348)	(468,176)
Other Financing Sources (Uses):													
Operating transfers-in	9,098	-	3,750		31,766				179,200	8,674	-	21,950	254,438
Operating transfers-out		(5,017)								(284,818)		(7,400)	(277,235)
Total Other Financing Sources (Uses)	9,098	(5,017)	3,750	-	31,766	-	-	-	179,200	(258,144)	-	14,550	(22,797)
Net Change in Fund Balance	5,414	(17,518)	(16,446)	(7,731)	(42,339)	181	113,346	2	(16,531)	(497,602)	49	(1,798)	(490,973)
Fund balance (deficit), beginning	(39,735)	380,836	177,396	100,658	(56,513)	106,176	(123,719)	24,484	(9,405)	621,819	17,350	124,977	1,304,324
Fund balance (deficit), ending	\$ (34,321)	\$ 343,318	\$ 160,950	\$ 92,927	\$ (98,852)	\$ 106,357	\$ (10,373)	\$ 24,486	\$ (25,936)	\$ 124,217	\$ 17,399	\$ 113,179	\$ 813,351

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2009

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
ASSETS			
Current Assets:			
Cash	\$ 494	\$ 24,644	\$ 25,138
Accounts receivable	105,565	-	105,565
Due from other governments	-	7,085	7,085
Interfund receivables, current	20,000	-	20,000
Total Current Assets	126,059	31,729	157,788
Noncurrent Assets:			
Buildings and improvements	-	1,283,793	1,283,793
Accumulated depreciation	-	(476,776)	(476,776)
Deferred charge	-	224	224
Total Non-Current Assets	-	807,241	807,241
Total Assets	<u>\$ 126,059</u>	<u>\$ 838,970</u>	<u>\$ 965,029</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	123,172	11,266	134,438
Accrued interest	-	850	850
Deferred revenues	-	7,085	7,085
Current portion of bonds and notes payable	-	7,823	7,823
Total Current Liabilities	123,172	27,024	150,196
Noncurrent Liabilities:			
Interfund payables, non-current	191,365	-	191,365
Bonds and notes payable (net of current portion)	-	40,714	40,714
Total Non-Current Liabilities	191,365	40,714	232,079
Total Liabilities	314,537	67,738	382,275
NET ASSETS			
Invested in capital assets, net of related debt	-	758,480	758,480
Restricted Net Assets	-	-	-
Unrestricted	(188,478)	12,752	(175,726)
Total Net Assets	(188,478)	771,232	582,754
Total Liabilities and Net Assets	<u>\$ 126,059</u>	<u>\$ 838,970</u>	<u>\$ 965,029</u>

CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
Operating Revenues:			
Charges for Services:			
Domestic	\$ 1,112,821	\$ -	\$ 1,112,821
Industrial	2,732	-	2,732
Rents/Concessions	-	136,123	136,123
Other	16,217	-	16,217
Total Operating Revenues	<u>1,131,770</u>	<u>136,123</u>	<u>1,267,893</u>
Operating Expenses:			
Utilities	-	41,478	41,478
Supplies	17,790	-	17,790
Repairs and maintenance	-	6,769	6,769
Landfill fees	403,305	-	403,305
Depreciation	-	45,912	45,912
Contractual Service	556,675	8,394	565,069
Other operating expenses	97,539	14,785	112,324
Total Operating Expenses	<u>1,075,309</u>	<u>117,338</u>	<u>1,192,647</u>
Operating Income (loss)	<u>56,461</u>	<u>18,785</u>	<u>75,246</u>
Non-Operating (Expenses):			
Interest expense	-	(2,729)	(2,729)
Amortization expense	-	(45)	(45)
Total Non-Operating (loss)	<u>-</u>	<u>(2,774)</u>	<u>(2,774)</u>
Net Income (loss) Before Contributions and Transfers	56,461	16,011	72,472
Transfers-In (out)	<u>-</u>	<u>(175,000)</u>	<u>(175,000)</u>
Net Income (loss)	56,461	(158,989)	(102,528)
Net assets-beginning of year	<u>(244,939)</u>	<u>930,221</u>	<u>685,282</u>
Net assets-end of year	<u>\$ (188,478)</u>	<u>\$ 771,232</u>	<u>\$ 582,754</u>

**CITY OF CUMBERLAND, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Trash</u>	<u>Property Rental</u>	<u>Total Non-Major Proprietary Funds</u>
Cash Flows from Operating Activities:			
Cash receipts from customers	\$ 1,128,486	\$ 143,208	\$ 1,271,694
Cash payments to suppliers	(1,000,346)	(65,087)	(1,065,433)
Other operating receipts	16,217	-	16,217
Net Cash Provided (Used) by Operating Activities	<u>144,357</u>	<u>78,121</u>	<u>222,478</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds	-	(175,000)	(175,000)
Loans from other funds	(143,870)	-	(143,870)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(143,870)</u>	<u>(175,000)</u>	<u>(318,870)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital contributions	-	578	578
Principal paid on capital debt	-	(7,426)	(7,426)
Interest paid on capital debt	-	(2,859)	(2,859)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(9,707)</u>	<u>(9,707)</u>
Net Increase in Cash and Cash Equivalents	487	(106,586)	(106,099)
Cash and Cash Equivalents at Beginning of Year	7	131,230	131,237
Cash and Cash Equivalents at End of Year	<u>\$ 494</u>	<u>\$ 24,644</u>	<u>\$ 25,138</u>
Reconciliation of Cash to Statement of Net Assets			
Cash balance-Statement of Net Assets	\$ 494	\$ 24,644	\$ 25,138
Investment balance-Statement of Net Assets	-	-	-
Cash and Cash Equivalents-Statement of Cash Flows	<u>\$ 494</u>	<u>\$ 24,644</u>	<u>\$ 25,138</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 56,461	\$ 18,785	\$ 75,246
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	45,912	45,912
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	12,933	-	12,933
Increase (decrease) in accounts payable	74,963	6,339	81,302
Increase (decrease) in deferred revenues	-	7,085	7,085
Net cash provided (used) by operating activities	<u>\$ 144,357</u>	<u>\$ 78,121</u>	<u>\$ 222,478</u>
Noncash operating, financing, and investing activities:			
Amortization of bond issuance costs	\$ -	\$ 45	\$ 45

Statistical Section

The information in this section is not covered by the Independent Auditor's Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

CONTENTS

PAGES

Financial Trends

74 - 77

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

78 - 84

These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

85 - 87

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the near future.

Economic and Demographic Information

88 - 90

These schedules offer economic and demographic data to help the reader understand the Environment within which the City's financial activities take place.

Operating Information

91 - 93

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources:

Financial Trend, Revenue Capacity and Debt Capacity data was compiled from various sources of information maintained by the City Finance Office and the Tax and Utility Office.

Economic and Demographic Information, and Operating Information were compiled from data maintained by the various departments within the City.

Notes:

The City implemented GASB Statement 34 in FY 2003; schedules presenting government-wide information include information beginning in that year.

Where ten years of data is available, that information is presented. For consistency and comparability purposes, where ten years of data was not available, the City has presented data for the current year and ten years prior, if available.

City of Cumberland, Maryland

Net Assets by Category Government Wide, Last Seven Years

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	14,626,885	15,184,517	15,267,735	14,711,560	14,091,543	11,085,676	14,988,772
Restricted	1,114,859	641,121	505,291	734,463	749,796	657,169	886,915
Unrestricted	1,860,966	785,475	(534,608)	(588,266)	710,280	(1,765,789)	(5,436,042)
Total Governmental Activities Net Assets	17,602,710	16,611,113	15,238,418	14,857,757	15,551,619	9,977,056	10,439,645
Business-Type Activities							
Invested in Capital Assets, Net of Related Debt	28,936,326	32,351,648	33,492,177	33,748,518	35,809,340	37,686,049	42,359,859
Restricted	227,092	227,092	232,096	634,853	249,144	-	-
Unrestricted	2,644,273	2,840,683	2,172,581	2,336,796	1,074,763	1,864,475	(242,674)
Total Business-Type Activities Net Assets	31,807,691	35,419,423	35,896,854	36,720,167	37,133,247	39,550,524	42,117,185
Primary Government							
Invested in Capital Assets, Net of Related Debt	43,563,211	47,536,165	48,759,912	48,460,078	49,900,883	48,771,725	57,348,631
Restricted	1,341,951	868,213	737,387	1,369,316	998,940	657,169	886,915
Unrestricted	4,505,239	3,626,158	1,637,973	1,748,530	1,785,043	98,686	(5,678,716)
Total Primary Government Net Assets ¹	49,410,401	52,030,536	51,135,272	51,577,924	52,684,866	49,527,580	52,556,830

Note: Government-wide statement were not available until FY 2003.

¹ Net Assets for FY 2008 were restated due to a prior period adjustment presented in note 12 to the financial statements, for a pension bond obligation that should have been reported as a liability.

City of Cumberland, Maryland

Changes in Net Assets by Category Government Wide, Last Seven Years

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General Government	1,507,459	2,101,017	2,229,057	1,924,694	2,529,184	2,719,050	2,264,903
Public Safety	9,244,760	8,609,865	8,889,680	9,729,813	10,001,075	11,400,713	10,600,736
Public Works	4,011,070	3,203,225	3,123,299	2,984,833	3,043,152	3,614,261	3,131,186
Recreation	957,612	975,202	1,025,874	1,051,627	984,452	1,231,744	995,388
Community Development and Housing	3,780,353	4,499,317	3,992,664	3,207,042	3,238,798	3,948,656	5,333,984
Interest on long-term debt	286,264	272,162	252,283	262,084	329,613	340,306	869,308
Total governmental activities expenses	19,787,518	19,660,788	19,512,857	19,160,093	20,126,274	23,254,730	23,195,505
Business-type activities:							
Water	5,352,997	5,302,049	5,663,826	5,833,754	5,690,721	5,974,681	6,161,821
Sewer	3,868,362	4,263,477	4,069,506	4,576,650	4,750,614	5,177,984	5,171,342
Municipal Parking Authority	412,183	394,348	393,676	427,664	387,032	408,599	548,361
Trash	542,392	729,114	775,255	1,060,739	1,085,377	1,119,361	1,075,309
Property Rental	70,616	69,381	67,670	130,848	73,890	112,660	120,112
Total business-type activities expenses	10,246,550	10,758,369	10,969,933	12,029,655	11,987,634	12,793,285	13,076,945
Total primary government expenses	30,034,068	30,419,157	30,482,790	31,189,748	32,113,908	36,048,015	36,272,450
Program Revenues							
Governmental activities:							
Charges for services:							
General Government	440,646	578,373	578,659	588,073	632,090	597,521	678,839
Public Safety	635,716	731,682	661,666	850,504	1,825,283	1,106,758	1,348,944
Public Works				14,986	4,106	1,549	
Recreation	96,618	122,907	130,142	134,664	146,491	158,651	116,688
Community Development and Housing	75,742	71,437	78,652	86,723	111,423	92,655	109,047
Interest on long-term debt							
Operating grants and contributions	5,914,518	6,297,814	5,947,695	5,635,159	5,794,322	5,835,567	5,915,626
Capital grants and contributions	653,444	1,008,619	296,235	284,407	154,534	953,810	701,110
Total governmental activities program revenues	7,816,684	8,810,832	7,693,049	7,594,516	8,668,249	8,746,511	8,870,254
Business-type activities:							
Water	6,373,990	6,686,957	6,582,264	7,056,703	7,270,405	7,624,538	8,139,843
Sewer	4,088,688	4,213,406	4,339,904	4,732,152	4,674,930	4,863,377	5,526,205
Municipal Parking Authority	444,707	498,329	445,424	461,314	440,612	648,710	628,769
Trash	524,359	746,155	745,363	942,212	976,787	1,109,411	1,131,770
Property Rental	109,750	137,091	152,987	141,887	146,755	205,172	136,123
Operating grants and contributions							
Capital grants and contributions	2,408,026	2,824,151	370,258	612,707	451,607	2,788,679	2,116,221
Total business-type activities program revenues	13,949,520	15,106,089	12,636,200	13,946,975	13,961,096	17,239,887	17,678,931
Total primary government revenues	21,766,204	23,916,921	20,329,249	21,541,491	22,629,345	25,986,398	26,549,185
Net (Expense)/Revenue							
Governmental activities	(11,970,834)	(10,849,956)	(11,819,808)	(11,565,577)	(11,458,025)	(14,508,219)	(14,325,251)
Business-type activities	3,702,970	4,347,720	1,666,267	1,917,320	1,973,462	4,446,602	4,601,986
Total primary government net expense	(8,267,864)	(6,502,236)	(10,153,541)	(9,648,257)	(9,484,563)	(10,061,617)	(9,723,265)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	7,554,128	7,360,358	7,593,762	8,150,523	8,350,221	8,678,884	9,434,314
Franchise Fees ¹					246,754	247,550	276,445
Other taxes	143,552	133,645	141,977	139,034	153,686	178,467	150,390
Shared revenues	1,257,087	1,139,105	1,079,029	1,279,788	1,288,824	1,430,311	1,357,674
Unrestricted investment earnings	64,152	38,922	34,466	91,276	137,013	115,410	123,212
Miscellaneous	363,632	421,664	372,737	386,608	189,277	284,957	352,889
Transfers	1,082,465	764,665	1,225,142	1,137,687	1,786,112	971,858	2,052,916
Total governmental activities	10,465,016	9,858,359	10,447,113	11,184,916	12,151,887	11,907,437	13,747,840
Business-type activities:							
Unrestricted investment earnings	41,816	28,677	36,306	43,680	225,730	104,431	17,591
Transfers	(1,082,465)	(764,665)	(1,225,142)	(1,137,687)	(1,786,112)	(971,858)	(2,052,916)
Total business-type activities	(1,040,649)	(735,988)	(1,188,836)	(1,094,007)	(1,560,382)	(867,427)	(2,035,325)
Total primary government	9,424,367	9,122,371	9,258,277	10,090,909	225,730	104,431	17,591
Changes in Net Assets							
Governmental activities:	(1,505,818)	(991,597)	(1,372,695)	(380,661)	693,862	(2,600,782)	(577,411)
Business-type activities:	2,662,321	3,611,732	477,431	823,313	413,080	3,579,175	2,566,661
Total primary government	1,156,503	2,620,135	(895,264)	442,652	1,106,942	978,393	1,989,250

¹ Franchise Fees were previously reports as miscellaneous income in years 2003 thru 2006

Note: Government-wide statement were not available until FY 2003.

City of Cumberland, Maryland

Fund Balances - Governmental Funds Last Seven Years

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund							
Reserved	770,226	39,149	45,909	211,258	999,506	1,596,462	1,895,760
Unreserved	<u>1,535,038</u>	<u>1,142,663</u>	<u>(81,703)</u>	<u>8,176</u>	<u>64,288</u>	<u>(865,200)</u>	<u>(1,223,111)</u>
Total general fund	<u>2,305,264</u>	<u>1,181,812</u>	<u>(35,794)</u>	<u>219,434</u>	<u>1,063,794</u>	<u>731,262</u>	<u>672,649</u>
Housing Fund							
Reserved	14,858	30,711	34,585	29,340	19,636	30,041	38,724
Unreserved	<u>65,006</u>	<u>72,338</u>	<u>37,866</u>	<u>(15,681)</u>	<u>(21,042)</u>	<u>(42,550)</u>	<u>(79,948)</u>
Total housing fund	<u>79,864</u>	<u>103,049</u>	<u>72,451</u>	<u>13,659</u>	<u>(1,406)</u>	<u>(12,509)</u>	<u>(41,224)</u>
All Other Governmental Funds							
Reserved	640,256	593,562	571,268	568,889	511,654	1,882,533	499,258
Unreserved							
Special Revenue Funds	229,472	(73,186)	(221,023)	(281,823)	135,492	(5,014)	196,397
Capital Projects Funds	<u>927,551</u>	<u>299,643</u>	<u>(6,997)</u>	<u>(32,112)</u>	<u>1,890,177</u>	<u>621,216</u>	<u>9,167,317</u>
Total all other governmental funds	1,797,279	820,019	343,248	254,954	2,537,323	2,498,735	9,862,972
All Governmental Funds							
Total Fund Balance All Governmental Fu	4,182,407	2,104,880	379,905	488,047	3,599,711	3,217,488	10494397

Note: For Consistency purposes, financial data is only presented for the last six years, since the government-wide data was only available for thos period.

Changes in Fund Balances - Governmental Funds Last Seven Years

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Taxes	7,725,846	7,664,751	7,876,051	8,445,424	8,652,112	8,779,740	9,799,768
Licenses and permits	161,295	132,615	109,803	189,907	1,129,714	274,909	236,101
Intergovernmental	8,007,629	8,312,003	7,206,070	7,215,047	7,393,334	8,009,375	8,205,565
Charges for Services	862,361	1,026,313	1,002,146	1,123,787	1,210,380	1,331,927	1,605,836
Fines and Forfeitures	5,081	4,646	2,520	793	25	375	500
Interest	69,670	42,538	38,257	95,332	140,472	118,953	124,986
Miscellaneous	547,477	609,705	556,262	563,407	677,262	536,508	797,017
Total revenue	17,379,359	17,792,571	16,791,109	17,633,697	19,203,299	19,051,787	20,769,773
Expenditures							
Current Operations							
General Government	1,717,065	1,766,887	1,862,090	1,848,084	2,049,116	2,203,636	2,206,697
Public Safety	8,736,735	8,588,961	8,700,636	9,601,532	10,008,301	10,364,099	10,670,154
Public Works	3,104,463	2,747,694	3,184,789	2,467,915	2,608,485	3,087,626	2,486,053
Recreation	985,084	896,376	1,040,133	1,138,786	1,008,340	1,147,048	1,009,605
Community development and housing	3,963,105	4,719,401	4,116,848	3,505,883	3,362,049	4,090,933	5,449,267
Capital Outlay	452,363	1,503,702	449,720	116,420	916,129	2,077,914	930,412
Debt Service							
Principal	426,470	488,690	585,934	790,555	763,831	902,588	1,164,828
Interest	268,892	276,610	255,809	261,936	299,992	332,758	717,536
Bond issue costs			25,267	7,998	8,007		294,690
Total Expenditures	19,654,177	20,988,321	20,221,226	19,739,109	21,024,250	24,206,602	24,929,242
Excess (deficiency) revenue over expenditures	(2,274,818)	(3,195,750)	(3,430,117)	(2,105,412)	(1,820,951)	(5,154,815)	(4,159,469)
Other Financing Sources (Uses)							
Transfers-in	1,378,019	1,558,573	1,344,611	1,185,643	2,297,823	1,647,212	2,477,328
Transfers-out	(295,554)	(793,910)	(119,469)	(47,956)	(511,711)	(481,787)	(683,366)
Financing Proceeds	1,448,655	349,238	480,000	1,057,100	3,118,258	2,280,600	9,154,872
Refunding Proceeds		69,992		417,144	1,226,597		3,636,221
Payment to refund bonds		(65,670)		(398,377)	(1,198,352)		(3,148,677)
Total Other Financing Sources (Uses)	2,531,120	1,118,223	1,705,142	2,213,554	4,932,615	3,446,025	11,436,378
Net change in fund balances	256,302	(2,077,527)	(1,724,975)	108,142	3,111,664	(1,708,790)	7,276,909
Debt Service as percentage of non-capital expenditures	3.82%	4.05%	4.50%	5.70%	5.44%	5.84%	8.00%
Note: Expenditures for Capital Assets are reported above as "Capital Outlays, as well as departmental expenditures. The total expenditures for capital assets is utilized for computing the ratio above.							
Total Expenditures for Capital Assets	\$ 1,471,191	\$ 2,100,452	\$ 1,534,452	\$ 1,272,265	\$ 1,454,302	#####	1,413,616.74

Note: For Consistency purposes, financial data is only presented for the last six years, since the government-wide data was only available for this period.

City of Cumberland, Maryland

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections and Credits	Percent of Levy Collected	Delinquent Tax Collections and Credits	Total Tax Collections and Credits	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2009	7,225,100	6,581,217	91.09%		6,581,217	91.09%	643,883	8.91%
2008	6,566,258	5,933,129	90.36%	411,701	6,344,830	96.63%	221,428	3.37%
2007	6,210,956	5,986,973	96.39%	195,222	6,182,195	99.54%	28,761	0.46%
2006	5,315,397	5,122,796	96.38%	166,171	5,288,967	99.50%	26,430	0.50%
2005	5,185,638	5,002,804	96.47%	166,157	5,168,961	99.68%	16,677	0.32%
2004	4,993,434	4,817,654	96.48%	163,489	4,981,143	99.75%	12,291	0.25%
2003	4,774,182	4,528,706	94.86%	217,517	4,746,223	99.41%	27,959	0.59%
2002	4,674,414	4,485,582	95.96%	162,070	4,647,652	99.43%	26,762	0.57%
2001	5,456,464	5,231,337	95.87%	207,524	5,438,861	99.68%	17,603	0.32%
2000	5,437,916	5,190,257	95.45%	233,668	5,423,925	99.74%	13,991	0.26%

Note: The above information relates to property tax levies and collections in the General Fund.
Total collections include adjustments in "total tax levy" in year prior to original tax levy.

Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

City of Cumberland, Maryland

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property			Personal Property - Unincorporated			Personal Property - Privately Owned Railroads and Public Utilities			Personal Property - Corporation			Total Personal Property Tax Base			Personal Property Total Direct Tax Rate	
	Assessed Value	Estimated Actual Value	Total Direct Tax Rate	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Assessed Value	Estimated Actual Value	Estimated Actual Value	Tax Rate	Tax Rate
2009	\$721,894,655	721,894,655	\$0.9654	1,798,753	1,798,753	38,538,100	38,538,100	\$37,694,880	\$33,942,231	38,849,771	45,560,670	88,673,297	796,173,739	796,173,739		\$2.648	
2008	\$675,560,720	\$675,560,720	\$0.9479	\$2,164,894	\$2,164,894	\$37,694,880	\$37,694,880	\$37,694,880	\$75,428,421	38,849,771	45,560,670	88,673,297	790,848,915	790,848,915		\$2.568	
2007	651,505,538	651,505,538	\$0.9479	1,996,728	1,996,728	42,019,704	42,019,704	42,019,704	38,849,771	45,560,670	88,673,297	675,629,291	734,371,741	734,371,741		\$2.568	
2006	607,847,477	607,847,477	\$0.9479	2,145,639	2,145,639	41,165,849	41,165,849	41,165,849	45,560,670	45,560,670	88,673,297	675,629,291	696,719,635	696,719,635		\$2.568	
2005	543,954,320	543,954,320	\$0.9479	2,376,716	2,376,716	40,624,961	40,624,961	40,624,961	34,375,911	45,560,670	88,673,297	675,629,291	648,642,063	648,642,063		\$2.568	
2004	570,157,798	570,157,798	\$0.8720	2,462,827	2,462,827	41,645,527	41,645,527	41,645,527	34,375,911	45,560,670	88,673,297	675,629,291	648,642,063	648,642,063		\$2.370	
2003	545,342,890	545,342,890	\$0.8720	2,802,532	2,802,532	45,195,232	45,195,232	45,195,232	37,982,807	45,195,232	45,195,232	37,982,807	631,323,461	631,323,461		\$2.370	
2002	534,386,927	534,386,927	\$0.8720	2,710,844	2,710,844	43,907,131	43,907,131	43,907,131	37,465,889	43,907,131	43,907,131	37,465,889	618,470,791	618,470,791		\$2.370	
2001	208,582,385	208,582,385	\$1.0400	1,508,385	1,508,385	42,908,692	42,908,692	42,908,692	30,684,270	42,908,692	42,908,692	30,684,270	283,683,732	283,683,732		\$2.370	
2000	207,568,696	207,568,696	\$1.0480	2,758,664	2,758,664	40,886,183	40,886,183	40,886,183	33,380,503	40,886,183	40,886,183	33,380,503	284,594,046	284,594,046		\$2.620	

Notes: As the result of a change to state law, all real property will be assessed at 100 percent of value, rather than 40 percent for the tax year beginning July 1, 2001

Source: Property Taxes and Taxes Receivable - Uniform Financial Report

City of Cumberland, Maryland

Property Tax Rates and Tax Levies (Real Property) – Direct Overlapping Governments

Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Tax Rate per \$100 of Assessed Value</u>					<u>.... Tax Levies</u>		
	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>	<u>City</u>	<u>County</u>	<u>State</u>	<u>Total</u>
30-Jun 2009	0.9654	0.9907	0.112	2.06	\$6,969,170	\$7,151,810	\$808,522	\$14,929,502
2008	0.9479	0.9829	0.112	2.04	6,403,640	6,640,086	756,628	13,800,354
2007	0.9479	0.9828	0.112	2.04	6,175,620	6,402,996	729,686	13,308,302
2006	0.9479	0.9309	0.112	1.99	5,308,503	6,485,763	780,325	12,574,591
2005	0.872	0.9248	0.132	2.00	5,183,117	6,248,219	891,830	12,323,166
2004	0.872	1.00	0.132	2.00	4,983,126	6,486,420	856,207	12,325,753
2003	0.872	0.9838	0.132	1.99	4,759,251	6,210,960	833,346	11,803,557
2002	0.872	0.984	0.084	1.94	4,670,932	6,085,752	519,515	11,276,199
2001	2.6	0.904	0.084	3.59	5,430,220	2,564,500	238,294	8,233,014
2000	2.62	0.904	0.21	3.73	5,445,044	2,572,730	597,647	8,615,421

Note: City Tax Levies calculated by adding full and semi levies. County and State calculated by using County assessment numbers in the Allegany County Comprehensive Annual Financial Report

Source: Assessed value for County and State according to the Allegany County Comprehensive Annual Financial Report

City of Cumberland, Maryland

Ten Largest Taxpayers Corporation Real Property Taxes

Fiscal Year 2009

Name	Assessment	Taxes	<u>Percentage of Total Assessed Value of Real Property in the City</u>
Sacred Heart Hospital	6,584,500	63,567	2.19%
S-N Realty LLC	5,550,000	53,580	1.84%
W2001 Eastern Hotel Realty LP	5,500,000	53,097	1.83%
Perini Services-Devlin Manor	5,000,000	48,270	1.66%
Cumberland Plaza Associates LP	3,750,000	36,203	1.24%
Cumberland Manor Associates	3,400,000	32,824	1.13%
Memorial Hospital Medical Center	3,400,000	32,824	1.13%
American Trust Bank	3,250,000	31,376	1.08%
Nationwide Health Prop Finance Crp	3,065,100	29,590	1.02%
1050 Industrial Blvd LLC	2,745,000	26,500	0.91%
Percentage of total taxes for year			14.02%
Total Corporate Real Property Tax	305,892,702	2,908,846	

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ten Largest Taxpayers Corporation Real Property Taxes

Fiscal Year 2000

<u>Name</u>	<u>Assessment</u>	<u>Taxes</u>	<u>Percentage of Total Assessed Value of Real Property in the City</u>
Cumberland Manor Associates	1,999,960	52,399	2.45%
W2001 Eastern Hotel Realty LP	1,913,400	40,547	1.89%
Memorial Hospital Medical Center	1,261,600	33,054	1.54%
1050 Industrial Blvd LLC	1,258,240	32,966	1.54%
Cumberland Plaza Associates LP	1,243,000	32,567	1.52%
American Trust Bank	1,234,280	32,338	1.51%
Sacred Heart Hospital	1,137,440	29,801	1.39%
Steinbach, Louis & David Trustees	974,120	25,522	1.19%
Nationwide Health Prop Finance Corp.	941,640	24,671	1.15%
Avirett Development Company	909,920	23,840	1.11%
Percentage of total taxes for year			15.30%
Total Corporate Real Property Tax	82,340,580	2,141,506	

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ten Largest Taxpayers Corporation Personal Property Taxes

Fiscal Year 2009

<u>Name</u>	<u>Assessment</u>	<u>Taxes</u>	<u>Percentage of Total Assessed Value of Personal Property in the City</u>
Verizon - Maryland	\$ 16,195,800	\$ 428,865	22.21%
Potomac Edison Company	10,001,020	264,827	13.71%
Columbia Gas of Maryland, Inc	7,354,680	194,752	10.09%
Atlantic Broadband (Penn), LLC	2,367,860	62,701	3.25%
Galliker Dairy Company, Inc.	1,485,280	39,330	2.04%
Level 3 Communications	1,298,350	34,380	1.78%
Infospherix Incorporated	1,289,700	34,151	1.77%
Giant Food Stores, LLC	1,140,510	30,201	1.56%
General Electric Credit Corporation	1,080,000	28,598	1.48%
Haystack Imaging Services, LLC	891,630	23,610	1.22%
Percentage of total taxes for year			59.11%
Total Corporate Personal Property Taxes	\$ 75,494,184	\$ 1,931,051	

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ten Largest Taxpayers Corporation Personal Property Taxes

Fiscal Year 2000

<u>Name</u>	<u>Assessment</u>	<u>Taxes</u>	<u>Percentage of Total Assessed Value of Personal Property in the City</u>
CSX Transportation Inc	\$ 4,743,980	\$ 124,292	36.51%
Biospherics Incorporated	812,700	21,293	6.25%
Imaging Associates of Cumberland, Inc	626,510	16,415	4.82%
USCOC Of Cumberland, Inc.	468,750	12,281	3.61%
Crown American Corporation	348,200	9,123	2.68%
Frostburg Rent-All & Sales, Inc.	304,840	7,987	2.35%
Helig-Meyers Furniture Company	304,700	7,983	2.35%
First United Bank & Trust	284,210	7,446	2.19%
Agemark Corporation	265,500	6,956	2.04%
The Cumberland Box and Mill Co., Inc.	263,170	6,895	2.03%
Percentage of total taxes for year			64.82%
Total Corporate Personal Property Taxes	\$ 13,660,470	\$ 340,426	

Source: City of Cumberland, Finance Department

City of Cumberland, Maryland

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year Ended</u>	<u>Population</u> ¹	<u>Assessed Value</u> (000's) ²	<u>Total Bonded Debt - Primary Government</u> ³	<u>Proprietary Funds</u> ⁴	<u>Governmental Funds (Net)</u>	<u>Net Governmental Bonded Debt to Assessed</u>	<u>Net Governmental Bonded Debt to Per Capita</u>	<u>Notes and Leases for Governmental Funds</u>	<u>Notes and Leases for Proprietary Funds</u>	<u>Total Debt Per capita</u>
June 30						<u>Value Ratio</u>	<u>Ratio</u>			
2009	20,495	796,174	\$41,286,363	\$24,029,223	\$17,257,140	21.68%	\$842.02	\$3,424,630	\$2,984,847	\$ 2,327.19
2008	20,758	790,849	\$30,379,946	\$24,946,950	\$5,432,996	6.87%	\$261.73	\$3,817,476	\$3,322,252	\$ 1,807.48
2007	21,518	734,371	32,979,947	26,987,965	5,991,982	8.16%	278.46	\$2,019,579	\$3,310,224	\$ 1,780.36
2006	20,758	696,719	30,508,048	25,881,353	4,626,695	6.64%	222.89	\$1,002,193	\$514,854	\$ 1,542.78
2005	20,954	675,629	30,803,596	25,727,725	5,075,871	7.51%	242.24	\$267,708	\$33,556	\$ 1,484.44
2004	21,199	648,642	31,803,421	26,782,209	5,021,212	9.28%	284.03	\$428,304	\$52,499	\$ 1,522.91
2003	21,077	631,323	33,712,960	28,396,810	5,316,150	8.42%	252.23	\$268,491	\$62,210	\$ 1,615.20
2002	21,219	618,470	31,332,053	27,131,565	4,200,488	6.79%	197.96	\$361,966	\$78,150	\$ 1,497.35
2001	21,426	283,683	29,378,585	24,890,168	4,488,417	15.82%	209.48	\$411,184		\$ 1,390.36
2000	21,596	284,594	28,632,484	23,921,466	4,711,018	16.55%	218.14	\$561,771		\$ 1,351.84

¹ Source: City of Cumberland – Community Development.

² Source: Property Taxes and Taxes Receivable – Uniform Financial Report.

³ Source: Outstanding Debt at Years End – Financial Report.

⁴ Source: Notes to the Financial Statement.

City of Cumberland, Maryland

Computation of Direct and Overlapping Debt

June 30, 2009

<u>Municipality</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to the City Rounded</u>	<u>Amount Applicable to the City</u>
City of Cumberland ¹	\$17,257,140	100%	\$17,257,140
Allegany County , Maryland ²	40,491,979	21.8%	8,827,251
Total debt and overlapping debt	\$57,749,119		\$26,084,391

¹ Source: Notes to the Financial Statement

² Source: According to the Allegany County Comprehensive Annual Financial Report

City of Cumberland, Maryland

Ratios of Annual Debt Service Expenditures

For General Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

<u>Fiscal</u> <u>Year</u> <u>Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt</u> <u>Service</u>	<u>Total General</u> <u>Governmental</u> <u>Expenditures</u>	<u>Ratio of Debt</u> <u>Service to Total</u> <u>General</u> <u>Governmental</u> <u>Expenditures</u>
2009	1,094,334	514,034	1,608,368	17,986,019	8.94%
2008	839,453	306,500	1,145,953	17,912,962	6.40%
2007	715,842	271,527	987,369	15,235,900	6.5%
2006	746,627	230,230	976,857	15,824,776	6.17%
2005	572,126	247,077	819,203	15,014,078	5.45%
2004	421,052	264,566	685,618	14,560,024	4.71%
2003	359,222	252,693	611,915	14,347,280	4.27%
2002	395,113	240,221	635,334	14,748,061	3.58%
2001	353,603	256,611	610,214	14,511,327	4.21%
2000	292,038	225,306	517,344	14,124,672	3.66%

Source: Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual, General Fund - Financial Report.

City of Cumberland, Maryland

Economic and Demographic Statistics

<u>Calendar Year</u>		<u>Population</u> ¹			
1950		37,679			
1960		33,415			
1970		29,724			
1980		25,933			
1990		23,712			
2000		21,518			
2005		20,915			
2008		20,758			
2009		20,495			
Employment in Cumberland, Maryland ²					
2000 (estimated)		9,184			
			2007 Per Capita Personal Income	2007 Total Personal Income (000's)	Unemployment Rate ⁴
Allegany County	2008 Median Household Income ³	\$38,600	\$27,189	\$1,974,017	8.6%
Maryland (Average)		70,545	48,378	999,897,000	7.3%

¹ Source: City of Cumberland - Community Development-Legacy Plan

² Source: United States Census - 2000

³ Source: <http://www.choosemaryland.org/factsandfigures/demographics/incomedate.html> (Income)

⁴Source: Bureau of Labor Statistics - <http://www.bls.gov/ro3/mdlaus.htm>

Information was not available for previous years.

City of Cumberland, Maryland

Number of Employees for Ten Largest
Employers within the City for FY 2009

Employer	# of Employees	Percentage of Total City Employment
Western Maryland Health System	2,258	20.50%
CSX Transportation Inc.	800	7.26%
Allegany College of MD	300	2.72%
CareFirst BC/BS of Maryland	160	1.45%
Friends Aware	158	1.43%
Cumberland Times-News	136	1.23%
PharmaCare	135	1.23%
CBIZ Insurance	121	1.10%
UPS	96	0.87%
Blind Industries and Services of MD	75	0.68%
Total employees for ten largest employers	4,239	38.48%

Source: Information provided by Economic Development Office
Information was not available for previous years.

City of Cumberland, Maryland

Building Permits Issued and Property Values

Last Ten Fiscal Years

Fiscal Year Ended June 30	<u>Commercial Construction</u>		<u>Residential Construction</u>	
	Number of Units	Value	Number of Units	Value
2009	30	\$20,210,138	34	\$1,156,302
2008	27	28,073,590	54	5,093,844
2007	29	237,472,069	45	2,034,514
2006	40	13,042,211	104	7,313,839
2005	44	3,122,964	41	1,277,931
2004	38	13,830,750	37	2,034,276
2003	43	8,768,004	25	1,286,100
2002	34	11,473,530	28	1,283,584
2001	50	17,140,978	31	833,894
2000	33	8,012,000	25	671,806

Source: Department of Community Development - Codes Technician

City of Cumberland, Maryland

Employees by Function

June 30, 2009

General Government

Administration:

Mayor & Council	5
City Administrator	2
City Clerk	1
Personnel	2
Economic Development	3
Finance	13
MIS	4
Community Development	14
Parks and Recreation	8

Public Works:

Administration	3
Engineering	9
Vehicle Maintenance	6
Street Department	18

Police Department 56

Fire Department 62

Enterprise Operations

Water Distribution 24

Water Filtration 10

Waste Water 18

Flood/Sewer 12

Total Employees 270

Note: Information was not available for previous years.

Source: City of Cumberland Human Resources Department

City of Cumberland, Maryland

Capital Assets Statistics by Function June 30, 2009

Function

General Government

Public Safety:

Stations	1
Number of Patrol Units	42

Fire:

Stations	3
Number of Vehicles	16

Public Works:

Streets (miles)	150.7
Traffic Signals	22

Enterprise Operations

Water Operations:

Miles of Water Main	142.24
Number of Fire Hydrants	932

Waste Water Operations:

Miles of Storm/Sanitary Sewers	122.72
Number of Treatment Plants	1

Note: Information was not available for previous years.

Sources: Information provided by central office for each respective City department.

City of Cumberland, Maryland

Operating Indicators by Function June 30, 2009

Function

General Government

Building Permits Issued:

Commercial Permits Issued	30
Residential Permits Issued	34
Total Value of Permits Issued	\$21,366,440

Public Safety:

Traffic Citations (2008)	1137
Arrests (2008)	2,420

Fire:

Number of Emergency Calls (2008)	4,694
Number of Fire Calls (2008)	1,127

Public Works:

Miles of Streets Maintained	133.57
Street Overlay Costs	\$73,310

Enterprise Operations

Water Operations:

Number of Service Connections	9,827
Average Daily Consumption (Gallons)	6.205 Million
Maximum Daily Capacity of Plant (Gallons)	15 Million

Waste Water Operations:

Number of Service Connections	8,879
Average Daily Treatment (Gallons)	12.383 Million
Maximum Daily Capacity of Plant (gallons)	15 Million

Note: Information was not available for previous years.

Sources: Information provided by central office for each respective City department.